TRADE AGREEMENTS ACT EXTENSION

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HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

EIGHTY-FIFTH CONGRESS

SECOND SESSION

ON

H. R. 12591

AN ACT TO EXTEND THE AUTHORITY OF THE PRESIDENT TO ENTER INTO TRADE AGREEMENTS UNDER SECTION 350 OF THE TARIFF ACT OF 1930, AS AMENDED, AND FOR OTHER PURPOSES

PART 1

JUNE 20, 21, 23, 24, 25, 26, 1958

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TRADE AGREEMENTS ACT EXTENSION

FRIDAY, JUNE 20, 1958

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

The committee met, pursuant to call, at 10:10 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), Kerr, Frear, Long, Anderson, Douglas, Williams, Flanders, Malone, Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

Stanley D. Metzger, Department of State.

The CHAIRMAN. The meeting will come to order.

The committee has under consideration H. R. 12591, extension of the reciprocal trade program. I submit for the record a copy of the bill as well as a brief analysis of the provisions therein.

(The analysis and bill follow:)

General authority.—Authority of the President to enter into trade agreements is extended from June 30, 1958 to June 30, 1963 (sec. 2).

Tariff reductions.—Authority is granted to reduce tariffs by (i) reduction of rates existing on July 1, 1958 by 25 percent in stages of not more than 10 percent in any 12-month period; (ii) reduction by 2 percentage points (or its equivalent) as an alternative to (i) with no more than 1 percentage point reduction in any 12-month period; (iii) alternatively, a reduction to 50 percent ad valorem in no less than 3 annual stages, each limited to one-third of the total reduction (sec. 3 (a) (8)).

Tariff increases.—Authorization to increase tariffs to a rate of 50 percent above the rate existing on July 1, 1934 (instead of 50 percent above the January 1, 1945 rate, as in the present act) (sec. 3 (c)).

Escape-clause procedure.—The present escape-clause procedure is retained with the following modifications in the procedure: (*a*) Escape-clause investigations and reports are to be completed by the Tariff Commission in 6 months (instead of the present 9 months) (sec. 5 (b)); (*b*) subpena powers granted to the Tariff Commission in escape-clause proceedings (sec. 9 (a)); (*c*) duty-free items bound in trade agrements may be transferred to the dutiable list and rates imposed up to 50 percent ad valorem (sec. 5 (c)); (*d*) organization or groups of employees are granted authority to file an application for escape-clause proceedings (sec. 5 (a)) (*e*) a Presidential disapproval of a Tariff Commission recommendation may be overridden by the adoption of a concurrent resolution by a two-thirds vote of both houses. Such a resolution would be a privileged matter in order to expedite congressional consideration (sec. 7).

Peril-point procedure.—The present peril-point authority is amended by (*a*) making an escape-clause investigation automatic whenever the Tariff Commission finds in a peril-point report that an increase in duty over existing levels is necessary to prevent injury (sec. 4 (b)); (*b*) peril-point investigations and reports are to be completed in 6 months (instead of the present 4) (sec. 4 (a)).

National security amendment.—(*a*) The national security amendment is amended to specify certain of the factors which are to guide the ODM in considering whether imports are threatening to impair the national security (sec. 8 (c)); (*b*) ODM is to carry out an investigation upon application of an interested party or upon the motion of the head of any agency of Government, including the Director of the ODM (sec. 8 (b)); (*c*) the investigatory procedure of ODM is altered to provide for a single investigation (sec. 8 (b)); (*d*) a report must be published on the disposition of each investigation (sec. 8 (d)); (*e*) ODM is to issue procedural regulations for the conduct of such investigations (sec. 8 (d)).

Annual report.—Included in the annual report on the operations of the trade agreements is to be a statement on progress made in removing restrictions maintained against United States exports by other countries (sec. 3 (d)).

Negotiation procedure.—It is the sense of the Congress that during the negotiations of a trade agreement, the President is to seek information and advice from representatives of American industry, agriculture, and labor (sec. 3 (f)).

GATT.—Enactment of this legislation does not indicate approval or disapproval of the GATT (sec. 10).

[H. R. 12591, 85th Cong., 2d sess.]

AN ACT To extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes

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 "Trade Agreements Extension Act of 1958".

SEC. 2. The period during which the President is authorized to enter into foreign trade agreements under section 350 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351), is hereby extended from the close of June 30, 1958, until the close of June 30, 1963.

SEC. 3. (a) Subsection (a) of section 350 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351 (a)), is amended as follows:

(1) Paragraph (2) (A) is amended by striking out "January 1, 1945" and by inserting in lieu thereof "July 1, 1934".

(2) Paragraph (2) (D) is amended by inserting "and before July 1, 1958," after "June 12, 1955,".

(3) The last sentence of paragraph (2) (D) (ii) is amended by striking out "section 402 of this Act (as in effect" and inserting in lieu thereof "section 402 or 402a of this Act (as in effect, with respect to the article concerned,".

(4) Paragraph (2) is amended by adding at the end thereof the following new subparagraph:

"(E) In order to carry out a foreign trade agreement entered into by the President on or after July 1, 1958, decreasing any rate of duty below the lowest of the rates provided for in paragraph (4) (A) of this subsection."

(5) Paragraph (3) (A) is amended (A) by striking out "of subparagraphs (B) and (C) of this paragraph," and by inserting in lieu thereof "of subparagraphs (B) and (C) of this paragraph and of subparagraph (B) of paragraph (4) of this subsection,", and (B) by striking out "suspension under paragraph (4)" and by inserting in lieu thereof "suspension under paragraph (5)".

(6) Paragraph (3) (D) is amended by striking out "paragraph (2) (C) or (D)" and by inserting in lieu thereof "paragraph (2) (C) or (D) or paragraph (4) (A) or (B)".

(7) Paragraphs (4) and (5) are renumbered as paragraphs (5) and (6), respectively.

(8) Subsection (a) is amended by inserting after paragraph (3) the following new paragraph:

"(4) (A) No proclamation pursuant to paragraph (1) (B) of this subsection shall be made, in order to carry out a foreign trade agreement entered into by the President on or after July 1, 1958, decreasing any rate of duty below the lowest of the following rates:

"(i) The rate which would result from decreasing the rate existing on July 1, 1958, by 25 per centum of such rate.

"(ii) Subject to paragraph (2) (B) of this subsection, the rate 2 per centum ad valorem below the rate existing on July 1, 1958.

"(iii) The rate 50 per centum ad valorem or, in the case of any article subject to a specific rate of duty or to a combination of rates including a specific rate, any rate (or combination of rates), however stated, the ad valorem equivalent of which has been determined as 50 per centum ad valorem.

The provisions of clauses (ii) and (iii) of this subparagraph and of subparagraph (B) (ii) of this paragraph shall, in the case of any article subject to a combination of ad valorem rates of duty, apply to the aggregate of such rates; and, in the case of any article subject to a specific rate of duty or to a combination of rates including a specific rate, such provisions shall apply on the basis of the ad valorem equivalent of such rate or rates, during a representative period (whether or not such period includes July 1, 1958), determined in the same manner as the ad valorem equivalent of rates not stated wholly in ad valorem terms is determined for the purpose of paragraph (2) (D) (ii) of this subsection.

"(B) (i) In the case of any decrease in duty to which clause (i) of subparagraph (A) of this paragraph applies, such decrease shall become initially effective in not more than five annual stages, and no amount of decrease becoming initially effective at one time shall exceed 10 per centum of the rate of duty existing on July 1, 1958, or, in any case in which the rate has been increased since that date, exceed such 10 per centum or one-third of the total amount of the decrease under the foreign trade agreement, whichever is the greater.

"(ii) In the case of any decrease in duty to which clause (ii) of subparagraph (A) of this paragraph applies, such decrease shall become initially effective in not more than five annual stages, and no amount of decrease becoming initially effective at one time shall exceed 1 per centum ad valorem or, in any case in which the rate has been increased since July 1, 1958, exceed such 1 per centum or one-third of the total amount of the decrease under the foreign trade agreement, whichever is the greater.

"(iii) In the case of any decrease in duty to which clause (iii) of subparagraph (A) of this paragraph applies, such decrease shall become initially effective in not more than five annual stages, and no amount of decrease becoming initially effective at one time shall exceed one-third of the total amount of the decrease under the foreign trade agreement.

"(C) In the case of any decrease in duty to which subparagraph (A) of this paragraph applies, no part of a decrease after the first part shall become initially effective (i) until the immediately previous part shall have been in effect for a period or periods aggregating not less than one year, nor (ii) after the first part shall have been in effect for a period or periods aggregating more than four years. If any part of a decrease has become effective, then any time thereafter during which such part of the decrease is not in effect by reason of legislation of the United States or action thereunder shall be excluded in determining when the four-year period expires."

(b) Subsection (b) of section 350 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351 (b)), is amended (1) by striking out "exclusive" in the first sentence, and (2) by amending paragraph (2) to read as follows:

"(2) In order to carry out a foreign trade agreement entered into by the President on or after June 12, 1955, below the applicable alternative specified in subsection (a) (2) (C) or (D) or (4) (A) (subject to the applicable provisions of subsection (a) (3) (B), (C), and (D) and (4) (B) and (C)), each such alternative to be read for the purposes of this paragraph as relating to the rate of duty applicable to products of Cuba. With respect to products of Cuba, the limitation of subsection (a) (2) (D) (ii) or (4) (A) (iii) may be exceeded to such extent as may be required to maintain an absolute margin of preference to which such products are entitled"

(c) Paragraph (2) (A) of subsection (c) of section 350 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351 (c) (2) (A)), is amended by striking out "'existing on January 1, 1945' and 'existing on January 1, 1955'" and by inserting in lieu thereof "'existing on July 1, 1934', 'existing on January 1, 1945', 'existing on January 1, 1955', and 'existing on July 1, 1958'".

(d) Paragraph (1) of subsection (e) of section 350 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351 (e) (1)), is amended by inserting after "(including the incorporation therein of escape clauses)," the following: "the results of action taken to obtain removal of foreign trade restrictions (including discriminatory restrictions) against United States exports, remaining restrictions, and the measures available to seek their removal in accordance with the objectives of this section,".

(e) Section 350 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351), is amended by adding at the end thereof the following new subsection:

"(f) It is hereby declared to be the sense of the Congress that the President, during the course of negotiating any foreign trade agreement under this section, should seek information and advice with respect to such agreement from representatives of industry, agriculture, and labor."

SEC. 4. (a) The third sentence of subsection (a) of section 3 of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C., sec. 1360 (a)), is amended by striking out "120 days" and inserting in lieu thereof "six months". The last sentence of such subsection is amended by striking out "120-day" and inserting in lieu thereof "six-month".

(b) Subsection (b) of section 3 of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C., sec. 1360 (b)), is amended by adding at the end thereof the following new sentence: "If in the course of any such investigation the Commission shall find with respect to any article on the list upon which a tariff concession has been granted that an increase in duty or additional import restriction is required to avoid serious injury to the domestic industry producing like or directly competitive articles, the Commission shall promptly institute an investigation with respect to that article pursuant to section 7 of this Act."

SEC. 5. (a) The first paragraph of subsection (a) of section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C., sec. 1364 (a)), is amended by striking out "any interested party" and inserting in lieu thereof "any interested party (including any organization or group of employees)".

(b) (1) The first paragraph of section 7 (a) of such Act is amended by striking out "nine months" and inserting in lieu thereof "six months".

(2) The amendment made by paragraph (1) shall apply only with respect to applications made after the date of the enactment of this Act.

(c) Section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C., sec. 1364), is amended by adding at the end thereof the following new subsection:

"(f) In carrying out the provisions of this section the President may, notwithstanding section 350 (a) (2) of the Tariff Act of 1930, as amended, impose a duty not in excess of 50 per centum ad valorem on any article not otherwise subject to duty."

SEC. 6. Subsection (c) of section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C., sec. 1364 (c)), is amended by inserting "(1)" after "(c)" at the beginning thereof, and by adding at the end thereof the following:

"(2) The action so found and reported by the Commission to be necessary shall take effect (as provided in the first sentence of paragraph (1) or in paragraph (3), as the case may be)—

"(A) if approved by the President, or

"(B) if disapproved by the President in whole or in part, upon the adoption by both Houses of the Congress (within the 60-day period following the date on which the report referred to in the second sentence of paragraph (1) is submitted to such committees), by the yeas and nays by a two-thirds vote of each House, of a concurrent resolution stating in effect that the Senate and House of Representatives approve the action so found and reported by the Commission to be necessary.

For the purposes of subparagraph (B), in the computation of the 60-day period there shall be excluded the days on which either House is not in session because of an adjournment of more than 3 days to a day certain or an adjournment of the Congress sine die.

"(3) In any case in which the contingency set forth in paragraph (2) (B) occurs, the President shall (within 15 days after the adoption of such resolution) take such action as may be necessary to make the adjustments, impose the quotas or make such other modifications as were found and reported by the Commission to be necessary."

SEC. 7. (a) The following subsections of this section are enacted by the Congress:

(1) As an exercise of the rulemaking power of the Senate and the House of Representatives, respectively, and as such they shall be considered as part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in such House in the case of resolutions (as defined in subsection (b)); and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

(2) With full recognition of the constitutional right of either House to change such rules (so far as relating to the procedure in such House) at any time, in the same manner and to the same extent as in the case of any other rule of such House.

(b) As used in this section, the term "resolution" means only a concurrent resolution of the two Houses of Congress, the matter after the resolving clause of which is as follows: "That the Senate and House of Representatives approve the action—

"(1) found and reported by the United States Tariff Commission to be necessary to prevent or remedy serious injury to the respective domestic industry, in its report to the President dated   , 19   , on its escape-clause investigation numbered   under the provisions of section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C., sec. 1364), and

"(2) disapproved by the President in whole or in part in his report (dated , 19) pursuant to the second sentence of paragraph (1) of section 7 (c) of such Act.",

the blank spaces therein being appropriately filled; and does not include a concurrent resolution which specifies more than one such investigation.

(c) A resolution with respect to an investigation shall be referred to the Committee on Finance of the Senate or to the Committee on Ways and Means of the House of Representatives by the President of the Senate or the Speaker of the House of Representatives, as the case may be.

(d) (1) If the committee to which has been referred a resolution with respect to an investigation has not reported it before the expiration of ten calendar days after its introduction (or, in the case of a resolution received from the other House, ten calendar days after its receipt), it shall then (but not before) be in order to move either to discharge the committee from further consideration of such resolution, or to discharge the committee from further consideration of any other resolution with respect to such investigation which has been referred to the committee.

(2) Such motion may be made only by a person favoring the resolution, shall be highly privileged (except that it may not be made after the committee has reported a resolution with respect to the same investigation), and debate thereon shall be limited to not to exceed one hour, to be equally divided between those favoring and those opposing the resolution. No amendment to such motion shall be in order, and it shall not be in order to move to reconsider the vote by which such motion is agreed to or disagreed to.

(3) If the motion to discharge is agreed to or disagreed to, such motion may not be renewed, nor may another motion to discharge the committee be made with respect to any other resolution with respect to the same investigation.

(e) (1) When the committee has reported, or has been discharged from further consideration of, a resolution with respect to an investigation it shall at any time thereafter be in order (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of such resolution. Such motion shall be highly privileged and shall not be debatable. No amendment to such motion shall be in order and it shall not be in order to move to reconsider the vote by which such motion is agreed to or disagreed to.

(2) Debate on the resolution shall be limited to not to exceed ten hours, which shall be equally divided between those favoring and those opposing the resolution. A motion further to limit debate shall not be debatable. No amendment to, or motion to recommit, the resolution shall be in order, and it shall not be in order to move to reconsider the vote by which the resolution is agreed to or disagreed to.

(f) (1) All motions to postpone, made with respect to the discharge from committee, or the consideration of, a resolution with respect to an investigation, and all motions to proceed to the consideration of other business, shall be decided without debate.

(2) All appeals from the decisions of the Chair relating to the application of the rules of the Senate or the House of Representatives, as the case may be, to the procedure relating to a resolution with respect to an investigation shall be decided without debate.

(g) If, prior to the passage by one House of a resolution of that House with respect to an investigation, such House receives from the other House a resolution with respect to the same investigation, then—

(1) If no resolution of the first House with respect to such investigation has been referred to committee, no other resolution with respect to the same investigation may be reported or (despite the provisions of subsection (d) (1)) be made the subject of a motion to discharge.

(2) If a resolution of the first House with respect to such investigation has been referred to committee—

(A) the procedure with respect to that or other resolutions of such House with respect to such investigation which have been referred to committee shall be the same as if no resolution from the other House with respect to such investigation had been received; but

(B) on any vote on final passage of a resolution of the first House with respect to such investigation the resolution from the other House with respect to such investigation shall be automatically substituted for the resolution of the first House.

SEC. 8. (a) Section 2 of the Act entitled "An Act to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended", approved July 1, 1954, as amended by section 7 of the Trade

Agreements Extension Act of 1955 (19 U. S. C., sec. 1352a), is amended to read as follows:

"SEC. 2. (a) No action shall be taken pursuant to section 350 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351), to decrease the duty on any article if the President finds that such reduction would threaten to impair the national security.

"(b) Upon request of the head of any Department or Agency, upon application of an interested party, or upon his own motion, the Director of the Office of Defense Mobilization (hereinafter in this section referred to as the 'Director') shall immediately make an appropriate investigation, in the course of which he shall seek information and advice from other appropriate Departments and Agencies, to determine the effects on the national security of imports of the article which is the subject of such request, application, or motion. If, as a result of such investigation, the Director is of the opinion that the said article is being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security, he shall promptly so advise the President, and, if the President determines that the article is being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security, he shall take such action, and for such time, as he deems necessary to adjust the imports of such article so that such imports will not threaten to impair the national security.

"(c) For the purposes of this section, the Director and the President shall, in the light of the requirements of national security and without excluding other relevant factors, give consideration to domestic production needed for projected national defense requirements, the capacity of domestic industries to meet such requirements, existing and anticipated availabilities of the human resources, products, raw materials, and other supplies and services essential to the national defense, the requirements of growth of such industries and such supplies and services including the investment, exploration, and development necessary to assure such growth, and the importation of goods in terms of their quantities, availabilities, character, and use as those affect such industries and the capacity of the United States to meet national security requirements.

"(d) A report shall be made and published upon the disposition of each request application, or motion under subsection (b). The Director shall publish procedural regulations to give effect to the authority conferred on him by subsection (b).

"(e) The Director, with the advice and consultation of other appropriate Departments and Agencies and with the approval of the President, shall by February 1, 1959, submit to the Congress a report on the administration of this section. In preparing such a report, an analysis should be made of the nature of projected national defense requirements, the character of emergencies that may give rise to such requirements, the manner in which the capacity of the economy to satisfy such requirements can be judged, the alternative means of assuring such capacity and related matters."

(b) The amendment made by subsection (a) shall not affect any action taken or determinations made before the date of the enactment of this Act.

SEC. 9. (a) Subsection (a) of section 333 of the Tariff Act of 1930 (19 U. S. C., sec. 1333 (a)) is amended to read as follows:

"(a) AUTHORITY TO OBTAIN INFORMATION.—For the purposes of carrying out its functions and duties in connection with any investigation authorized by law, the commission or its duly authorized agent or agents (1) shall have access to and the right to copy any document, paper, or record, pertinent to the subject matter under investigation, in the possession of any person, firm, copartnership, corporation, or association engaged in the production, importation, or distribution of any article under investigation, (2) may summon witnesses, take testimony, and administer oaths, (3) may require any person, firm, copartnership, corporation, or association to produce books or papers relating to any matter pertaining to such investigation, and (4) may require any person, firm, copartnership, corporation, or association to furnish in writing, in such detail and in such form as the commission may prescribe, information in their possession pertaining to such investigation. Any member of the commission may sign subpenas, and members and agents of the commission, when authorized by the commission, may administer oaths and affirmations, examine witnesses, take testimony, and receive evidence."

(b) Subsection (d) of section 333 of the Tariff Act of 1930 (19 U. S. C., sec. 1333 (d)) is amended by striking out "under Part II of this title" and inserting in lieu thereof "before the commission".

(c) (1) Subsection (a) of section 336 of the Tariff Act of 1930 (19 U. S. C., sec. 1336 (a)) is amended by striking out the third sentence thereof. The first sentence of subsection (c) of section 337 of the Tariff Act of 1930 (19 U. S. C., sec. 1337 (c)) is amended by striking out "under and in accordance with such rules as it may promulgate".

(2) Part II of title III of the Tariff Act of 1930 (19 U. S. C., sec. 1330, et seq.) is amended by inserting after section 334 the following new section:

"SEC. 335. RULES AND REGULATIONS.

"The commission is authorized to adopt such reasonable procedures and rules and regulations as it deems necessary to carry out its functions and duties."

SEC. 10. The enactment of this Act shall not be construed to determine or indicate the approval or disapproval by the Congress of the executive agreement known as the General Agreement on Tariffs and Trade.

Passed the House of Representatives June 11, 1958.

Attest:

RALPH R. ROBERTS, *Clerk.*

The CHAIRMAN. We are very happy to have the distinguished Secretary of State as our first witness today. Mr. Dulles, you may proceed, sir, to make your statement.

STATEMENT OF HON. JOHN FOSTER DULLES, SECRETARY OF STATE

Secretary DULLES. Mr. Chairman and members of the committee, 4 months ago I spoke before the House Ways and Means Committee in support of the President's proposal to extend and strengthen the Trade Agreements Act.

I now direct myself to the bill which has come to this committee from the House of Representatives. That bill represents some alteration of the bill as originally introduced. The changes, however, are acceptable to the Executive and H. R. 12591 as received in the Senate has my full support.

The Secretary of Commerce will speak to you about the compelling reasons of domestic economic policy for strengthening and extending the Trade Agreements Act. The Secretary of Labor and the Secretary of Agriculture will doubtless present further convincing evidence of the importance of the program from the domestic viewpoint. I shall direct myself primarily to foreign policy considerations.

We live in a world which is new in terms of its political structure and its economic demands. Twenty countries have won their political independence within the last 15 years and this trend is likely to continue.

Seven hundred million people are directly involved in this rapid transformation from the long-established system of colonialism. The very rapidity with which this transformation is occurring presents a major problem—how to achieve and maintain political stability.

Mass aspirations follow these new grants of independence. They are contagious and spread to other lands. The demands for improved living conditions are insistent. No possible sources of assistance are dismissed out of hand. Present free-world nations may prefer to buy and sell within the free world. But if they are frustrated in their efforts to do so, they can be expected to direct their search elsewhere.

Although no international wars are being fought today, our security is menaced, not only by the vast Soviet military buildup, but by the efforts of International Communism to turn the worldwide changes to selfish use as stepping stones to world domination. If we are to combat this evil successfully, a better international order must be built and the United States must be in the forefront of that effort.

Fortunately for us, the free world is not disunited. It works together and provides dispersed power to retaliate against armed aggression. Military unity is imperative and must be continually strengthened. But this requires high morale throughout the free world and a willing spirit of close cooperation. Such an atmosphere is not created and maintained through military cooperation alone.

Economic security is indispensable to all our allies and friends. It is essential that their relationship to the United States contribute not only to their military security but also to their economic well-being.

The strategy of Communist imperialism involves the subversion of country after country until the United States is isolated and subject to economic strangulation. You have heard repeatedly Mr. Khrushchev's threat of war in the peaceful field of trade and his boast that the Soviets will win this war because of the superiority of their system. I have said before—and I say again—it would be reckless to treat this threat as negligible.

The Soviet Union is rapidly developing its weapons for waging economic warfare against the United States and has achieved an industrial level which enables it to export manufactured goods in increasing quantity and variety, and to take in exchange large amounts of natural products, whether agricultural or mineral, for their own use or to dump on free world markets.

Through pursuing this course, they hope to gain dominance—first economically, then politically, in many countries which need an assured foreign market.

Our Government has, by treaty or resolution declared, in effect, that the peace and security of the United States would be endangered if any of nearly 50 countries were to be conquered by Communist imperialism. But, declaring this is not enough. We have to convince both friend and foe that we will do what is needed to prevent the Communist conquest. So we have the policies and actions represented by our mutual security program and by the Trade Agreements Act.

Some seem to believe that national policies which aim to assure a congenial and friendly world environment are un-American or unpatriotic. The fact is that, from our beginning, United States doctrine has proclaimed that our own peace and security are bound up inextricably with conditions of freedom elsewhere. Today, that doctrine, the doctrine of interdependence, is the cornerstone of free-world policy.

How has trade figured in these developments? During the depression of the early thirties, many countries tried to restore their economies by tariffs, quotas, and currency manipulations. We did those things, and did them without regard to the effect upon others who were largely dependent on international trade.

But the domestic relief we expected did not come. And by 1934 the decline in world trade brought to power, in several countries, leaders so nationalistic and aggressive as to constitute a major cause of World War II.

They sought to expand their national domains at the expense of weaker neighbors on the ground that they could not assure their people a living standard by normal methods of peaceful trade. The price we all paid in World War II will, I hope, help us to avoid such shortsighted action in the future.

So far as the free world is concerned, the trend since that war has, fortunately, been in the other direction. In this movement to liberalize trade, the United States has been an indispensable leader. Our Trade Agreements Act, first enacted in 1934, and since extended 10 times, has reflected our desire and purpose to promote the mutually advantageous expansion of world trade.

Some elements of United States industry try to improve their competitive position by implying that any competition from abroad, merely because it is foreign, should for that reason be barred. This viewpoint, I repeat, cannot be accepted as United States policy without endangering our whole Nation. This is not to say there are no cases where foreign competition should be restrained. There is a wide range of such cases, and protection is, in fact, accorded.

It is true, however, that any general disposition to exclude foreign goods simply because they are competitive would gravely disrupt economic, political, and spiritual relationships which are required for our own welfare and for the defense of our peace and freedom.

You may ask: What is the proper relationship between the progress of the trade program and the interests of domestic producers? Let me say this: Almost every national policy hurts some and benefits others. The form of our taxation, the nature of our defense purchases, the location of government operations—all of these and many other national policies inevitably tip the scales of competition. Often, and certainly in the field of trade, the few who may be hurt, or fear that they may be, are more vocal than the many who may gain. That is their right. But the Congress has a duty, that is, to serve the overriding national interest.

Important as the trade-agreements program has been since its inception in 1934 and since World War II, I anticipate a progressively more vital role for the program in the future.

The program is one of our most effective tools for combating the emerging Soviet strategy of political-economic penetration into uncommitted countries through the offer of trade and economic aid. Since 1954, economic assistance extended by the Communist bloc to countries outside the bloc has amounted to $1½ billion.

Since 1954, the exports of the Communist bloc to the free nations have grown 70 percent. In 1957, they amounted to some $3.1 billion. Furthermore, the number of bloc trade agreements with the free nations has more than tripled in the last 3 years, rising from 49 at the end of 1953 to 149 at the end of 1957. From what we know of the economic potential of the Communist bloc, there is reason to believe that this performance can be greatly augmented within the next few years. The state-controlled economy of the Soviets is well suited to swift changes in quantities and destination of exports. The shortage of virtually all consumer goods within the Soviet area means that additional quantities of a wide variety of imported materials can be absorbed with ease.

The danger of the Soviet economic offensive arises from the fact that, to the leaders of Communist imperialism, economic ties are merely another means of gaining ultimate political control. If, through trade and economic assistance, they can bring free nations within their economic orbit, they will have paved the way for political victory. Even though responsible leaders in the recipient countries also know this, desperation for markets in order to meet the aspirations of their people can tempt those governments to gamble their political independence rather than refuse Communist aid and trade.

To this challenge, our basic answer is our trade-agreements program, coupled with our own aid program. The free world, as a whole, certainly offers by far the largest market for the raw materials that provide most of the money income of the less developed countries. This offer can only be realized, however, so long as the dominant free-world trade trend is in the direction of opening markets and expanding trade to the maximum.

In Western Europe, we see unfolding a great new movement toward economic unity. This is the European Economic Community established by the Treaty of Rome, which entered into force on January 1, 1958. Through this treaty, six nations on the European continent—Belgium, France, the German Federal Republic, Italy, Luxembourg, and the Netherlands—have agreed to eliminate all barriers to trade among themselves and to act toward others as a single economy.

They will form a single common market of 170 million customers with a total import trade which, last year, was larger than that of the United States.

This new market will, in time, have a single uniform tariff and a common trade policy which it will apply to imports from the United States and other countries of the free world.

This development has been encouraged by the United States, both the Congress and the executive branch, since the early days of the Marshall plan. It should now be our policy to cooperate with the new Economic Community of Europe to the end that both the United States and the European Economic Community will contribute to the economic strength and well-being of the free world as a whole.

The next 5 years will be the critical, formative years of the European Economic Community. This is a major reason why it is essential that the trade-agreements program be renewed this year for 5 years. During this period, long-lasting decisions will be made as the level of the European common external tariff and as to the other commercial policies which the Community will adopt.

The best opportunity we will have to negotiate with the Community the tariff reductions most advantageous to our export trade will be before the new tariff becomes firmly established. We would seek to negotiate tariffs lower than those to which the countries comprising the European Economic Community are presently committed.

The procedure and timetable which its members contemplate for the establishment of the Common Market illustrate the need for extending our program for not less than 5 years.

The first step in reducing internal tariffs, within the Common Market, will be taken next January 1, when internal duties are to be reduced by 10 percent from their present levels. Thereafter, there will be progressive reductions until internal tariffs are completely eliminated by the end of 1972. These reductions are important to us because, after the first of next year, goods produced within the Common Market will have a steadily increasing advantage within the Common Market area over American and other free-world goods.

With respect to external tariffs, the plan is this: The European Economic Community has informed us that they expect to have their proposed, or target, tariff (which they are now negotiating among themselves) available for examination by us and others about the end of 1959.

The objective of this examination will be to ascertain whether the target tariff accords with the obligations which the common-market countries have previously assumed under the General Agreement on Tariffs and Trade. In this context, we shall want to be satisfied that the target external tariff is not no the whole higher, nor more restrictive than the separate tariff schedules of the six countries now in effect.

We shall also look at the individual items to be certain that the commitments which others have made to us are maintained.

After we have completed this examination, we will have to prepare the United States position for negotiations and choose the items on which we might be willing to consider tariff concessions. This will include peril-point investigations by the Tariff Commission.

This whole process will take at least 18 months from the date on which we receive the target tariff. This timetable makes clear that under the best of circumstances negotiations with the European Economic Community cannot begin until 3 years from now. The negotiations themselves would take at least a year, bringing us at least to mid-1962. It is only prudent to allow another year for slippages.

Finally, other countries will not be willing to make the complex preparations for these negotiations unless they are sure that the United States Government has authority to see them through to completion. For all these reasons the full 5-year extension is a necessity.

Another point I wish to make is this. Our trade agreements program has been accepted in this country now for 24 years. I think it is clear that the program has been successful and has benefited this country greatly. I believe that most people in this country look upon the program as continuing and permanent. It would be, to my mind, unthinkable to discontinue it.

On each of the 10 times that the Trade Agreements Act has come before the United States Congress for renewal, there has been a period of uneasiness and concern among out friends throughout the free world. Because the United States is the ranking supplier or consumer of so many commodities, its trade policy is a matter of vital interest to the overall economy of many countries. The question of whether the United States is going to continue to buy a given country's products so as to enable that country to accumulate dollar exchange with which to buy needed supplies for the well-being of its own people is often nearly a life-and-death proposition.

For one reason or another people abroad have acquired the impression that trade restrictionist sentiment is growing in the United States. Whether this impression is correct or not—and the recent passage of this renewal bill in the House would certainly indicate the contrary—the belief injects an element of instability and danger into the future which is not conducive to cooperation or to our national security.

Why then should we insist upon the reargumentation of its merits every 3 years or oftener and lead our friends abroad to fear we may suddenly reverse our trade policy. The Trade Agreements Act has become a symbol around which other free world countries develop their trade policies and make their plans. Greater stability in our program will certainly mean greater stability in their programs. Can there be any doubt that such stability would benefit us all?

This stabilizing of our basic policy would not of course mean freezing our procedures; if during the 5-year period experience shows the need for improvements in the legislation, this can of course be accomplished.

Mr. Chairman, a few days ago (June 6, 1958) I made a statement to the Foreign Relations Committee dealing with the basic aspects of our foreign policy. In the course of that presentation I made a statement about world trade which I should like to repeat here today:

The world of today requires better economic health than was tolerable in past times.

International trade is more than ever important. Our own foreign trade is now approximately $32.4 billion a year and provides employment to 4½ million of our farmers and workers. International trade is even more vital to the economic life of many other free-world countries.

A principal instrumentality and the outstanding symbol of our attitude to international trade is our Trade Agreements Act. The principle of the act was first adopted in 1934, and 10 times the Congress acted to renew it. Any failure now to renew it would be a grave blow to the world's economy, including our own, and it could be fatal to security.

Mr. Chairman, that is a blunt statement. But to put it less bluntly would in my opinion fail to portray the immense importance to the United States of the legislation now before us.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Secretary.

The Chair recognizes Senator Kerr.

Senator KERR. Mr. Secretary, I am quite interested in your statement. I know you speak from a sense of deep conviction. There are differences between us with reference to this matter or certain phases of it, and I am sure you will recognize, as do I, that they do not spring from a divergent viewpoint with reference to the imperative necessity for doing the best for the welfare of our country, but only from a different viewpoint as to how best to reach that objective.

In your statement, referring, I believe, to the development, as you call it, of the common market of the 170-million citizens of Belgium, France, the German Federal Republic, Italy, Luxembourg, and the Netherlands, you call that the common market?

Secretary DULLES. Yes, sir, I did——

Senator KERR. How did you call that?

Secretary DULLES. I called it by what is technically its correct——

Senator KERR. You mean economic community?

Secretary DULLES. Yes. It is popularly known as the common market.

Senator KERR. You say they are going to try to reach an agreement as to what tariff will be charged on items imported to any part of that European Economic Community?

Secretary DULLES. Yes, sir.

Senator KERR (reading):

> This whole process will take at least 18 months from the date which we receive the target tariff—

and then you say:

> This timetable makes clear that under the best of circumstances negotiations with the European Economic Community cannot begin until 3 years from now.

Congress will still be here, won't it?

Secretary DULLES. Yes, sir.

Senator KERR. You were speaking here of what you regard as the necessity for a 5-year extension?

Secretary DULLES. Yes, sir.

Senator KERR. Actually from your statement it seems to me that it would be a minimum of 3 years before the negotiations you refer to as a future necessity will even start?

Secretary DULLES. Yes, sir.

Senator KERR. So that if Congress saw fit to renew this act for 2 years and then had the matter before it, it would still be a year from that time before we can even, as you say, under the best of circumstances, begin to negotiate with the European Economic Community, would it not?

Secretary DULLES. Yes, sir.

Senator KERR. I have a concern as you do and as you have expressed it very eloquently here, as to the uneasiness that might be developed in the minds of our friends. You think that is important, don't you?

Secretary DULLES. I do.

Senator KERR. Do you regard the mental attitude of the American people with equal regard?

Secretary DULLES. Yes, sir.

Senator KERR. Is it not just as necessary for us to operate this program, to develop it and to maintain it on a basis that will reinforce the confidence of the American people as it is that we operate it on the basis so as not to impair, but on the other hand, reinforce the confidence of our friends?

Secretary DULLES. Yes, sir.

Senator KERR. You make the statement that—

> for one reason or another people abroad have acquired the impression that trade restrictionist sentiment is growing in the United States.

And then you give as an evidence that that is an incorrect impression, the recent action of the House.

Are you not aware that there is a growing or increasing amount of restrictionist sentiment in the United States on this matter?

Secretary DULLES. No, sir. I do not think that there is. I am told that this year for the first time the witnesses before the House committee in favor of this renewal were many more than those who opposed it, and represented far more extensive than those who opposed it.

I think that there is no question, Senator, but what the overwhelming view of the American people is that the interests of the United States are going to be served by this extension.

Senator KERR. Do you think that the men in the Congress had an equal opportunity with you to know what the sentiment of the American people is?

Secretary DULLES. Yes, sir.

Senator KERR. Well, I do not pretend to be an expert on that, nor do I pretend to have much knowledge about it beyond the borders of the State of Oklahoma; but I say this to you quite frankly, that there is more sentiment against this program in Oklahoma today than there has ever been, and I would be quite surprised if that originated in and terminated at the geographical boundaries of the State of Oklahoma.

Secretary DULLES. Certainly I would not set myself up to contest with you the public opinion in Oklahoma.

Senator KERR. I am not going to pretend to put myself up against you in gaging the sentiment of the United States because in the last two national elections you and your boys demonstrated that you had it more accurately gaged than I did, but I would be quite surprised if what I see so much of in Oklahoma would not find its counterpart across the Nation.

The thing I say that for is this: I think it is just as important that this program be operated so as to win and keep the support and the confidence of the people of the United States as it is to operate it so as to win and keep the confidence of the people in the friendly countries with whom we are seeking to develop closer and more worthy relationships.

Secretary DULLES. Let me say, Senator, on that point, that the policies reflected by this act are supported by the Department of State, not because of the fact that they give pleasure to others; they are supported because we believe that they serve the best interests of the United States.

Senator KERR. I am convinced you mean that.

Secretary DULLES. We try to run our foreign policy, Senator, for one purpose alone, and that is to promote the interests and welfare of the American people.

Now obviously, I think, those interests and welfare cannot be promoted if you disregard our relations with others. So——

Senator KERR. Did you ever hear of the general who got so far ahead of his troops when he was ready to win his victory he did not have anything to win it with?

Secretary DULLES. Yes, sir.

Senator KERR. I mean you have got to maneuver from the position of the support of your own people, haven't you?

Secretary DULLES. Yes, sir, and you have also got to give——

Senator KERR. You boys who get these jobs appointively do not have as keen an awareness of that as we who get them electively.

Secretary DULLES. I am quite aware of that, but I am also aware of the fact that our constitutional processes put upon the President who does get his job electively and did get it as you pointed out by a pretty big vote——

Senator KERR. Yes.

Secretary DULLES. It gives him the primary responsibility for the conduct of foreign policy, and it is his judgment that this is imperatively required for the welfare of the United States.

Senator KERR. Where does that Constitution put the responsibility for the conduct of trade and commerce? And the regulation of trade and commerce?

Secretary DULLES. That puts it on the Congress and the President.

Senator KERR. Well, now, would you read me the part of it that puts it on the President?

Just while we are sitting here in such a friendly mood.

Secretary DULLES. Would I point out to you——

Senator KERR. Yes, Mr. Secretary.

Secretary DULLES. Yes, sir.

Senator KERR. Where is it?

Do you happen to have it there?

Secretary DULLES. Yes, sir; because he has the power to veto congressional legislation.

Congress cannot act without regard to the President's influence upon its legislation.

Senator KERR. Well, that is quite true, but the Constitution gives them the power to enact legislation and then pass it over his veto, does it not?

Secretary DULLES. Yes, sir. But that does not mean that his veto is a negligible factor.

Senator KERR. No, it does not. But it is quite plain that it is not the determining factor.

Secretary DULLES. It often is. It depends upon the circumstances.

Senator KERR. But under the Constitution it is not.

Secretary DULLES. It is not. Under the Constitution it can be overridden. It rarely is.

Senator KERR. As a practical matter, it can deter, but he cannot, by the veto, inaugurate a program, can he?

Secretary DULLES. No, sir.

Senator KERR. I know what it is, but I do not want to humiliate the Secretary by insisting again that he read it.

It is that very provision in the Constitution that leads me to ask you some questions about section 6 of this bill.

I wish you would just explain to me in simple language the purpose and the significance, as you see it, of section 6.

It is on page 9 of the bill.

If you look at the report, Mr. Secretary, on page 28 of the House Ways and Means Committee report, it attempts to summarize the significance, I think, and the purpose of section 6, but I am sure that just a glance at it will refresh your memory to where you will be able to tell us what it is for.

Secretary DULLES. Well, that is the section, I think, that you are referring to, which deals with the power of the Congress by a two-thirds vote, to adopt in effect the findings of the Tariff Commission even though not approved by the President.

Senator KERR. Do you think it is necessary for Congress to have this power?

Secretary DULLES. We did not think it was necessary because it was not in the original bill that was proposed. But it is acceptable to the administration that Congress should have that power.

Senator KERR. You think it is necessary to have that section to safeguard the power of the Congress to accomplish the objective set forth in that section?

Secretary DULLES. It, I think, facilitates action by the Congress to a greater degree than if it was not there, yes.

Senator KERR. In other words, you think Congress can pass a law which increases its own power under the Constitution?

Secretary DULLES. Are you raising the question of the constitutionality of this clause?

Senator KERR. Oh, no; we are operating under the Constitution and I ask you if you thought that Congress could, by legislative enactment increase the powers that it has under the Constitution?

Secretary DULLES. Well, I believe the Attorney General has given an opinion that he thinks——

Senator KERR. You are a great lawyer yourself.

You do not need to hide behind the Attorney General. I am just a little lawyer, I would not.

Secretary DULLES. I appreciate the compliment of being a great lawyer. I would put it in the past tense. I was a great lawyer but I have given up the practice of law.

Senator KERR. I want to tell you, you are the first man I even thought would intimate and you are the last man I would designate as a has-been.

Secretary DULLES. But I think you would admit, Senator, that I am not engaged in the practice of law at the present time, and I do in these matters rely upon the opinion of the Attorney General.

Senator KERR. Are you telling me you have no opinion or you do not want to give me the benefit of it?

Secretary DULLES. I would say to you, I have not made any independent investigation of my own as to the constitutionality——

Senator KERR. At the time when you were a great lawyer [laughter], was it your opinion that Congress could by legislative enactment increase the power that it had under the Constitution?

Secretary DULLES. I do not think that Congress can by legislation gain powers not vested in it by the Constitution, no.

Senator KERR. Do you think on the other hand, that Congress can, by its legislative action, deprive itself of a power and a responsibility placed upon it by the Constitution?

Secretary DULLES. No.

Senator KERR. Then, as I understand section 6, it refers to procedure in connection with matters investigated and reported upon by the Tariff Commission; is that correct?

Secretary DULLES. Yes, sir.

Senator KERR. It says:

> The action so found and reported by the Commission to be necessary shall take effect (as provided in the first sentence, paragraph (1), or in paragraph (3), as the case may be)—
>
> (A) if approved by the President—

I am reading now from the bill.

Secretary DULLES. Yes.

Senator KERR (reading):

> or,
>
> (B) if disapproved by the President in whole or in part, upon the adoption by both Houses of the Congress (within the sixty-day period following the date on which the report referred to in the second sentence of paragraph (1) is submitted to such committees), by the yeas and nays by a two-thirds vote of each House, of a concurrent resolution stating in effect that the Senate and House of Representatives approve the action so found and reported by the Commission to be necessary.

That is the Tariff Commission, is it not?

Secretary DULLES. Yes, sir.

Senator KERR. If you entered into a trade agreement, Mr. Secretary, do you think Congress could pass a law which voided it?

Secretary DULLES. Yes, sir. Assuming it was——

Senator KERR. If they passed that law and it was vetoed by the President and they came back and passed it over his veto by a two-thirds vote it would be just as effective as if he signed it?

Secretary DULLES. Yes, sir.

Senator KERR. Well, isn't that all that section 6 provides?

Secretary DULLES. It gives, I would say, a privileged status to that type of legislation; yes, sir.

Senator KERR. You think that if Congress has it under the Constitution it needs section 6 to give it to it?

Secretary DULLES. I think that the procedures, the congressional procedures that are envisaged by——

Senator KERR. Aren't there congressional procedures now for the enactment of legislation?

Secretary DULLES. Yes; but they do not have this——

Senator KERR. Do you think that this section can impair them?

Secretary DULLES. No.

Senator KERR. I do not either. I do not think it can enlarge upon them.

Secretary DULLES. It can, I think, Senator, give a privileged status to certain types of legislation.

Senator KERR. Well, how do you mean now, Mr. Secretary?

It looks to me like it attempts to limit the procedural functioning of the Congress, because it says—

> upon the adoption by both Houses of the Congress within the sixty-day period following the date on which the report referred to in the second sentence of paragraph (1) is submitted to these committees.

Secretary DULLES. Excuse me, Senator, I was interrupted.

Senator KERR. I say it looks to me like, if it were effective, it might impair the functional operations of the Congress.

Secretary DULLES. This does not take away any power of the Congress to act in normal processes of passing legislation.

Senator KERR. But for them to get relief under this section they would have to do it within 60 days?

Secretary DULLES. But they could do it after 60 days.

Senator KERR. Without this?

Secretary DULLES. Yes, sir.

Senator KERR. And they could do it within 60 days without this if they wanted to?

Secretary DULLES. Yes, sir; but there is a difference in the procedure.

Senator KERR. What is the difference?

Secretary DULLES. Because if you act without this procedure, you would have to pass the legislation, it would go to the President. It would, let us assume, be vetoed by the President, and have to come back again and be repassed. This cuts short——

Senator KERR. This is an act already vetoed by the President.

Secretary DULLES. No, sir.

Senator KERR. Oh, yes, he has disapproved the report of the congressional agencies.

Secretary DULLES. That is true, but he has not vetoed an act of Congress.

Senator KERR. That is true, but you fix it here so that it would be as difficult for Congress to change the President's decision with reference to an action by the Tariff Commission as it is for Congress to implement its own legislation if vetoed by the President?

Secretary DULLES. This is not exclusive procedure, Senator. You can use any other procedures that you have.

Senator KERR. Well——

Secretary DULLES. If you do not find this an added advantage in giving this privileged status to your legislation you can do it another way.

You can take it away——

Senator KERR. That is the question I was raising, it neither gives nor takes. The Bible says "The Lord giveth and the Lord taketh away."

I do not think so far as this legislation is concerned, it does either, do you?

Secretary DULLES. Well, I do not read the mind of the Lord in this respect. [Laughter.]

Senator KERR. No, but you can read this act.

Secretary DULLES. But you are quoting the Lord. [Laughter.]

Senator KERR. No; I was quoting the Bible. [Laughter.] That was a statement about the Lord, not by Him. [Laughter.] As significant as I think the quoter is.

Would you tell us, Mr. Secretary, as a matter of information how many reciprocal trade agreements are now in existence under this legislation?

Secretary DULLES. There are 37 adherents to the general agreement.

Senator KERR. In order for that to be informative to me, you will have to explain it.

Secretary DULLES. Well, there is a general agreement of a multilateral character negotiated which gives equal status to all of the participants, and that is——

Senator KERR. Are you talking about GATT?

Secretary DULLES. The General Agreement on Tariffs and Trade.

Senator KERR. That is what we more or less uninformed call GATT, is it not?

Secretary DULLES. Well, I would not say you were uninformed.

Senator KERR. You have heard it referred to as that?

Secretary DULLES. Well, I have never been there, I have seen it, I have never put my hands on it. I have just heard it called the General Agreement on Tariffs and Trade.

Senator KERR. We call it GATT and we Democrats have a leaning toward alphabetical designations.

Secretary DULLES. Yes; I understand it.

Senator KERR. And I must say you boys have picked it up and done pretty well with it.

But what I would like to know is how many trade agreements this Nation is signatory to.

That is a good word, isn't it?

Secretary DULLES. All right. We are signatory to, I would say, approximately 7 or 8, of which 1 is a multilateral agreement and the others are bilateral agreements.

Senator KERR. Well, if there are just 7 or 8, there are not too many of either. If the total is 7 or 8.

Senator ANDERSON. But 34 in one.

Senator KERR. That is what I am trying to find out.

Secretary DULLES. I tried to put it that way, Senator.

Senator KERR. Tell me this: How many nations do we operate with on the basis of trade agreements?

Secretary DULLES. Well, forty odd.

Senator KERR. Forty odd?

Secretary DULLES. Yes, sir.

Senator KERR. When were they made, generally what is the date?

Secretary DULLES. The basic agreement was made in 1947.

Senator KERR. Well, now this act was first passed in 1934, was it not?

Secretary DULLES. Yes, there was another agreement——

Senator KERR. Weren't there a number of agreements negotiated under that authority?

Secretary DULLES. Yes, sir.

Senator KERR. Have they been renegotiated?

Secretary DULLES. They have been transmuted, you might say.

Senator KERR. You mean kind of renewed and renegotiated maybe, in a different form but extended in principle?

Secretary DULLES. Yes, sir.

Senator KERR. Well, now, what is the duration of those agreements?

When do they expire?

Secretary DULLES. They do not have any fixed termination date.

Senator KERR. They have to be, on the basis of the content of the language, for some period of time?

Secretary DULLES. They have indefinite duration but also they are subject to termination in various events.

They can be denounced.

Senator KERR. Have you told me that when a contract or trade agreement is made it stays in effect until positive action terminating it has been taken by one or both parties?

Secretary DULLES. Yes, sir.

Senator KERR. And under what conditions can it be terminated and by whom?

Secretary DULLES. They can be terminated by either party on 6 months' notice.

Senator KERR. Any agreement that we have?

Secretary DULLES. Yes, sir.

Senator KERR. So that if Congress saw fit not to extend this legislation, we would have these forty-odd agreements which would stay in effect until one of the nations under the terms of the contract gave the 6-month notice and terminated it?

Secretary DULLES. Yes, sir.

Senator KERR. What is referred to when you use the term "most-favored-nation clauses"?

Secretary DULLES. That a nation is entitled to get the same trade benefits that are extended to any other nation.

Senator KERR. We had agreements that were called most-favored-nation agreements or agreements in which there were favored-nation clauses long before we had the reciprocal trade agreement, didn't we?

Secretary DULLES. Yes.

Senator KERR. And under those agreements, one or more, any or all, we make an agreement, say, with Mexico whereby we get certain concessions and they get certain concessions from us, and in addition to those specified, we put in a clause that trade concessions in any agreement we make with any other nation are automatically available to Mexico.

Is that a valid example of the operation of such an agreement?

Secretary Dulles. Yes, that is roughly accurate; yes, sir.

Senator KERR. Now we had a trade agreement with Mexico, didn't we, Mr. Secretary, some time in the past?

Secretary Dulles. Yes.

Senator KERR. Do we have one now?

Secretary DULLES. No, we do not, I understand.

Senator KERR. How did that come about that we no longer have one?

Secretary DULLES. It was terminated by joint agreement with the Mexicans.

Senator KERR. It was terminated by Mexico and thereby we lost all concessions that we had obtained when we entered into the agreement?

Secretary DULLES. Yes, sir.

Senator KERR. Well, did we have and do we have in existence a favored-nation agreement with Mexico?

Secretary DULLES. I think not.

Senator KERR. Other than that trade agreement?

Secretary DULLES. No, sir. We have none.

Senator KERR. Is there any nation with whom we have had both a favored-nation agreement and a trade agreement with reference to which the trade agreement has expired and the favored-nation agreement is still in effect?

Secretary DULLES. I do not know of any.

Senator KERR. Are you in a position to say there is none?

Secretary DULLES. No, I am not, because I cannot keep track of all these things.

Senator KERR. I know you cannot. I know you can't. I am just seeking information.

Secretary DULLES. I think I would have to ask you for the privilege of supplementing my testimony after I can check with some of my experts on that point.

Senator KERR. All right. If you want to check I would be happy to have you recheck the matter of the continued existence of our favored nation agreement with Mexico.

It was not executed simultaneously with the trade agreement; was it?

Secretary DULLES. I don't know.

Senator KERR. Does your pretty fair source of information there know?

Mr. METZGER. We do not have a MFN commitment for Mexico.

The CHAIRMAN. Will you identify yourself?

Mr. METZGER. My name is Metzger, Stanley D. Metzger.

We do not have a most-favored-nation treaty commitment or trade agreement with Mexico.

Senator KERR. Isn't it a fact Mexico has the right of trading with us as any other nation?

Mr. METZGER. Yes, sir, because the act requires it.

Senator KERR. What act?

Mr. METZGER. The Trade Agreements Act.

Senator KERR. You mean this that we are about to extend?

Mr. METZGER. Right.

Senator KERR. Which requires us to give to any nation any concession we give to any other nation?

Mr. METZGER. That is correct. Except for the Iron Curtain countries and a couple of other exceptions which are not applicable to——

Senator KERR. Why do you need anything else in the act?

If when you make an agreement with one nation every other nation outside the Iron Curtain gets the benefit of the concession that you have made to that one nation, why would not that one agreement be all you would need?

Secretary DULLES. That does not give us any authority, Senator, to negotiate on the topic of tariffs and to get concessions for ourselves.

Senator KERR. If you automatically give them the concession by that agreement, what have you got left to negotiate about?

Secretary DULLES. Because without the authority of this act we have no authority to trade——

Senator KERR. I am talking about the negotiation.

If under the act, there is a provision in this act which makes it mandatory for you to give to all the concessions you have given to any——

Secretary DULLES. Yes.

Senator KERR (continuing). What do you have left to negotiate for after having made one agreement?

Secretary DULLES. Because we take into account when we negotiate an agreement, we take into account all of these factors that you refer to.

We do not blindly negotiate a reduction with one country without taking into account the consequences of that in respect to other countries.

Senator KERR. Would you not be better off if you negotiated a bilateral contract?

Secretary DULLES. I definitely say not, Senator.

Now we operated for a good many years on the basis of negotiating bilateral agreements that only had bilateral effects.

Senator KERR. You mean that was a——

Secretary DULLES. That is prior to the initiation——

Senator KERR. That was the contract just between us and one other nation?

Secretary DULLES. That is right.

Senator KERR. Now, when did you change the pattern?

Secretary DULLES. Well, it was basically under Secretary Hull and his concept that we shifted to the basis of multilateral agreements and giving everybody an equal deal.

We found when we tried to operate on the basis of inequalities between countries it caused very great difficulties.

Senator KERR. I thought the basis of this was the negotiation of an agreement whereby we got something when we gave something?

Secretary DULLES. That is quite correct.

Senator KERR. Well, if by giving to one we become the donor to all, then what have we got left when we go over and sit down at the table with the other one?

Secretary DULLES. We take all those things into account, Senator; before we become a donor of one, we figure the consequences of becoming a donor to him, and we figure on getting back an equivalent of equal value.

Senator KERR. And that does not impair your bargaining position?

Secretary DULLES. No, sir.

Senator KERR. I will tell you right now, if you give away all you have got what have you got left to operate on?

Secretary DULLES. We do not give away all we have got.

Are you aware, Senator, that of the authority to reduce which was given us by the present law we have only used a very, very small percentage of it?

This is not a giveaway program.

Senator KERR. I did not know, and I do not mind admitting my ignorance.

I did not know this act had a provision in it that if you made a concession to one nation that automatically that concession was mandatory to every other nation signatory to a trade agreement with us, but you have told me that is in the law.

Secretary DULLES. Yes, sir. We have been operating here since 1934, which is 24 years.

Senator KERR. Yes, but you and I were not here then, you see. I am talking about if that provision is in the law, one of your boys could show it to us; could he not?

Secretary DULLES. Yes.

Senator KERR. Well, let them do it.

Secretary DULLES. As I say, the whole essence of this legislation which has been in force since 1934 is that with certain exceptions which are fixed by Congress in relation now, for example, to the Soviet bloc of countries, we treat all friendly countries alike.

Now, Senator Kerr, that has been basic in this legislation for 24 years.

Senator KERR. Has it been basic in the administration or is it mandatory in the legislation?

Secretary DULLES. It is mandatory in the language.

Senator KERR. Well, let's just hold this up until we get that language.

What page are you on?

Secretary DULLES. Well, I guess I have not got the same print here——

Senator KERR. I have the same thing.

Secretary DULLES. Yes, sir; that is at the bottom of page 3. [Reading:]

> Subject to the provisions of section 5 of the Trade Agreements Extension Act—

and that is what relates to the Soviet and Iron Curtain countries—

> duties and other import restrictions proclaimed pursuant to this section shall apply to articles of growth, produce, and manufacture of all foreign countries, whether imported directly or indirectly—

and that has been there.

Senator KERR. Well, is it provided there?

Secretary DULLES (reading):

> Provided the President shall, as soon as practicable, suspend the application to articles of growth, produce, or manufacture of any country because of its discriminatory treatment or because of other acts or policies which, in his opinion, tend to defeat the purpose of this section.

Senator KERR (reading):

> Subject to the provisions of section 5, duties and other import restrictions proclaimed pursuant to this section shall apply to articles of growth, produce, and manufacture of all foreign countries, whether imported directly or indirectly—

and your interpretation is that that language makes it mandatory upon you when you negotiate an agreement with one nation to make the concession given available to all nations?

Secretary DULLES. Subject to these qualifications.

Senator KERR. Yes. When was that first enacted, that principle?

Secretary DULLES. That principle was first enacted in 1934.

Senator KERR. Was that language in the original act?

Secretary DULLES. I believe so; yes, sir. That has been the heart of what has been called the Hull foreign-trade program for 24 years, Senator.

Senator KERR. Well, now, Mr. Secretary, that is marvelous; you are helping me learn something and I hope I can help you learn something.

Secretary DULLES. I am sure there is plenty of room for it.

Senator KERR. Now that being the case, then, that favored-nation principle has been mandatory from the inception of the legislation?

Secretary DULLES. Yes, sir.

Senator KERR. That being the case, why is a favored-nation agreement necessary if it is a mandatory provision of the law?

You just said that this agreement will be operated in accordance with the law and therefore the favored-nation clause is automatically a part hereof.

Secretary DULLES. That is one way——

Senator KERR. That is in effect what it amounts to; is it not?

Secretary DULLES. Yes, sir.

Senator KERR. Well, now, I would like to talk to you a little while about an amendment placed in this bill on the floor of the House.

I believe that that is to be found on page 15 of the bill. Have you found the part I am referring to?

Secretary DULLES. Yes, sir.

Senator KERR. I believe that amendment was offered by Mr. Ikard, was it not, on the floor of the House?

Secretary DULLES. I think so; yes, sir.

I think his amendment is contained in subsection (c), which appears on page 16 of the print.

Senator KERR. I refer to a statement he made about that on the floor of the House.

It is contained in the Congressional Record, page 9654.

I wonder if you have that available to you.

Secretary DULLES. I think I am familiar with it, Senator, if you want to question me about it.

Senator KERR (reading):

> Mr. IKARD. Mr. Chairman, I would like to ask the distinguished chairman—

and he is talking to Mr. Mills, the chairman of the Ways and Means Committee—

> two or three questions.
>
> Is it a fact that the so-called national security section of the committee bill has as its purpose providing the executive department with a means of taking whatever action is necessary to avoid a threat to our national security through imports and to make sure that injury to a particular industry essential to the national security will be avoided.
>
> Mr. MILLS. The answer is "Yes."
>
> Mr. IKARD. Is it a fact that the national security amendment of the present law was amended by the committee as reflected in the committee bill for the purpose of improving and facilitating the operation of this provision by providing specific criteria and guidelines for use in its administration?
>
> Mr. MILLS. The answer to that question is "Yes."
>
> Mr. IKARD. The national security section of the committee bill specifies certain factors which would govern the Director of the Office of Defense Mobilization and

the President in determining whether imports are a threat to national security. These are stated in the committee bill substantially as follows—

and there I believe he quotes section (c) that you have referred to, so I will not quote it again. Then he says:

I am interested in knowing how these criteria would relate to the problem of excessive imports of petroleum and petroleum products. Is it intended that under this provision imports of petroleum and petroleum products be held at levels which would permit the domestic industry to engage in a vigorous program of exploration at a rate consistent with the demands of our economy?

Mr. MILLS. This provision is intended to hold imports at a level which will permit the United States to have sufficient oil, known, discovered, and developed, as is required to meet our national security needs.

Do you agree with that answer, Mr. Secretary?

Secretary DULLES. Yes, sir; I do.

Senator KERR (reading):

Mr. IKARD—

Secretary DULLES. Excuse me, were you directing your question to me?

Senator KERR. Yes, sir.

Secretary DULLES. Yes, sir; I say I do. I call attention to the fact that the committee report pointed out that national security cannot always be identified with total self-sufficiency because there are some respects in which we are inevitably dependent upon some near sources, but with that understanding I certainly do agree with the answer.

Senator KERR (reading):

Mr. IKARD. Does the committee amendment that will be offered to the national security section of the committee bill dealing with investment, exploration, and development necessary to assure the proper growth of an industry have any significance to the petroleum industry and other extractive industries?

Mr. MILLS. Yes. This amendment will be offered to the bill for the purpose of further clarifying the committee's intention with respect to the encouraging free enterprise, exploration for, and the development of our national resources at a rate sufficient to meet the demands of our national security.

Then he said:

If drilling and exploration activities do not reach a satisfactory level, then under this provision the President or his designate would have the responsibility of reevaluating existing programs for the regulation and control of imports to see that they meet the requirements of the new standards in the committee bill.

Do you agree with that statement?

Secretary DULLES. Yes, sir.

Senator KERR. (Reading):

Mr. IKARD. In the case of petroleum, is it intended that if the pending committee bill becomes law that a new study and certification would be necessary?

Mr. MILLS. The answer is "no."

I refer the gentleman specifically to the language on page 17, lines 15 to 17, which he offered in the committee to guarantee that the answer would be No.

Do you agree with that statement?

Secretary DULLES. Yes, sir.

Senator KERR (reading):

Mr. IKARD. Is it intended that when the imports of a natural resource are controlled under the provisions of the national security section of the committee bill, and with particular reference to petroleum, that such control should take into consideration the importation of products, derivatives, or residues of petroleum so that these products and deritatives could not be imported in a way that would circumvent the control of the imports of the basic natural resource?

Mr. MILLS. Yes.

Do you agree with that answer?

Secretary DULLES. Yes, sir.

Senator KERR. Then he said clearly:

> When a decision is taken to restrict imports in the interests of national security it is our intention that the decision be effective and not rendered ineffective by circumvention.

Do you agree with that?

Secretary DULLES. Yes, sir.

Senator KERR. You know, it was upon the representation of the administration 3 years ago when this present bill was enacted that with section 7 in the bill, action would be taken by the administration to effectively hold the imports to a basis consistent with the principle contained in the language of the bill.

Many of us, Mr. Secretary, felt that the actions taken by the administration were very late in coming and were inadequate. Is it your thought that with the amendment the bill now carries that the Congress intends action to be taken and that the intent is even more clearly expressed than it was in section 7 of the present act?

Secretary DULLES. I think the amendment that you refer to gives more precise and more positive guidelines than has been the case heretofore.

Senator KERR. And maybe in reality places an additional responsibility on the administration beyond that contained in the language of the present law.

Secretary DULLES. I think it places a more clear responsibility. I think we have sought to discharge our responsibilities. As you know, the situation was somewhat abnormal during part of this period as a result of the Suez crisis and the sudden shifting of demands and then a sudden cessation of demands.

It has not been easy to deal with. But I am convinced that we are trying to deal with it, and that our sense of responsibility in that respect will, if anything, be strengthened by the amendment that you refer to.

Senator KERR. And by the purpose of the administration.

Secretary DULLES. Yes, sir.

Senator KERR. I would like to ask you this one further question as to products.

Do you regard this bill, if enacted, to contain language which directs the administration to apply the program of restricting imports not only to the crude oil but also to all of its products on a basis consistent with the principles of the language?

Secretary DULLES. It requires us to watch this situation to see whether that is required with respect to not only petroleum but to petroleum products.

Senator KERR. Now as I understand it, the program has been made effective as to all products with about three exceptions. I think the three exceptions are residual fuel oil, asphalts and what you call bunker fuel that is kept in harbors and is actually not brought into the country. It is kept there for the refueling of certain ships, I belive, carry foreign flags.

Secretary DULLES. I think that is correct.

Senator KERR. Would you regard this as placing upon you responsibility to watch even those imports to see that not even they were permitted to get out of hand?

Secretary DULLES. Yes, sir.

Senator KERR. Mr. Secretary, I thank you very much for your testimony.

I appreciate your frankness and the clearness with which you have responded.

Secretary DULLES. Thank you.

The CHAIRMAN. Senator Williams.

Senator WILLIAMS. Mr. Secretary, as I understand it you interpret the language of this bill to require the administration to use import quotas whenever necessary as regards the petroleum industry, is that correct?

Secretary DULLES. Would the Senator repeat his question?

Senator WILLIAMS. I was trying to reaffirm what you said. It is my understanding that the language of this bill more or less carries instructions to the administration to use import quotas on the petroleum industry or products if necessary, at any time, is that correct?

Secretary DULLES. The legislation is not absolutely mandatory in that respect, but it certainly——

Senator WILLIAMS. It would place an obligation upon you to do that.

Senator KERR. If necessary.

Secretary DULLES. An obligation to do it if necessary, yes.

Senator WILLIAMS. My next question is does that language restrict you to petroleum products only or is that applicable to all other products that are produced by American industry?

Secretary DULLES. It is not limited to just petroleum products but other extractive goods.

Senator WILLIAMS. And you would interpret that same language to cover any product produced in America irrespective of its connection with petroleum?

Secretary DULLES. Yes, sir.

Senator WILLIAMS. Or anything else?

Secretary DULLES. Yes, sir.

Senator WILLIAMS. No other questions.

The CHAIRMAN. Senator Frear.

Senator FREAR. Mr. Secretary, I well remember the few short months that we served together in the Senate several years ago, and since that time you have gone farther and higher and traveled many places around the world, and of course, we are still struggling along here.

Secretary DULLES. Senator, can I say that I am not sure that there is anything that is much higher than being a Senator, and occasionally when some people call me Senator Dulles, I just swell with pride.

Senator FREAR. You know that makes me feel mighty good. During the last few months I have had the feeling that I'd wake up some morning to find that the President had delegated the Secretary of State to take off from Cape Canaveral for a diplomatic mission to the moon. Seriously, I admire your fortitude, Mr. Secretary.

Secretary DULLES. Thank you.

Senator FREAR. In your statement a few moments ago you said, "We have used only a very small portion of the authority granted by Congress." Why do you think then that you need additional authority?

Secretary DULLES. The additional authority is required because of the fact that if we find an area where it is mutually advantageous to reduce, we may have to reduce more in that particular area than is now authorized by the law.

Senator FREAR. You mean a greater percentage in a given period of time.

Secretary DULLES. No, in respect to particular product. You see, Senator, we had, I think, for the last 3 years, did we not, 15 percent reduction.

Senator FREAR. Yes.

Secretary DULLES. Now it is not possible to have a 15-percent reduction across the board basically for two reasons. One is that we are stopped by peril points and the other is that we cannot get an adequate quid pro quo, so that the points where you can have a negotiating area are quite restricted.

If you do find those areas, you may have to cut deeper in that particular area than would be authorized by the present authority.

Senator FREAR. I think I understood what you said but I am not quite sure that there isn't in present authority that which you are seeking and that which you just said.

However, I shall take your word for it if you say that you cannot. I was under the impression that with certain restrictions, however, you could act independently of one country, with one country or with one product to a greater degree than if it was 5 percent or a total of 25 percent.

Secretary DULLES. No.

As I understand it you cannot cut any one product below the stipulated percentage, and I should point out of course that the authority unless renewed expires on June 30.

Senator FREAR. Yes, sir.

Then of course that brings up the very simple question would you not approve of a simple extension rather than making it permanent?

Secretary DULLES. A simple what?

Senator FREAR. Extension.

Secretary DULLES. A simple extension?

Senator FREAR. Yes, extend it for 1, 2, or 3 years instead of the 5.

Secretary DULLES. I have given good reasons I think, Senator, why we think we do need an extension for more than 1 or 2 years.

Senator FREAR. Yes, and that I gathered was for the permanency of the thinking of other countries, not too much on our own thinking, because I have always thought that you and the people around you were capable of doing the thinking for us and we do not have to have that long period to think. But is that really your basis, so that they can have a longer period on which to judge and say, "We are not going to back out on any agreement within the next 24 hours, or anything like that"?

Secretary DULLES. There is a general reason which I gave and a particular reason.

The general reason is that we feel that this broad policy has sufficiently demonstrated its worth over the past 24 years that it justifies a longer extension and not creating at such rapid intervals the period of doubt and uncertainty which leads other countries to wonder what we are going to do and perhaps to search for alternatives to trading with the United States, because the principal alternative to trading with the United States is trading with the Soviet Union.

The second is the particular reason in relation to this so-called Common Market in Europe.

Senator FREAR. And I interpret that to mean that the countries with whom we deal have lessened their confidence in the United States in their operations.

Secretary DULLES. They do not have confidence in the trade policies of the United States unless the basis for that confidence is created by the Congress.

Senator FREAR. Yes, and I am glad to hear you say that.

Secretary DULLES. If the Congress creates lack of confidence, there is no way we can restore it.

Senator FREAR. Of course I recognize the fact that the administrative branch carriers out the policies and principles and thinking of the legislative branch in this, but then I can say the same thing regarding the legislative branch. Do you think it would impair our position with the countries abroad if we extended this for a shorter period of time than 5 years?

Secretary DULLES. Yes, sir.

Senator FREAR. You do?

Secretary DULLES. No doubt about it.

Senator FREAR. Suppose the Congress expressed a different opinion. Would you be willing to abide by their decision?

Secretary DULLES. Certainly.

Senator FREAR. And how serious a handicap do you think it would be?

Secretary DULLES. I think it would be serious. I cannot read the future, but I would certainly say it would be serious.

Senator FREAR. You said in your prepared statement, and I quote:

> I believe that most people in this country look upon the program as continuing and permanent and it would in my mind be unthinkable to discontinue it.

Are you saying, Mr. Secretary, that it is your proposal and that of the administration that this should be made permanent?

Secretary DULLES. No, sir. We propose that it be renewed for 5 years.

Senator FREAR. Yes, sir, but that does not just quite gibe with your statement.

Secretary DULLES. One is a statement of my own views and my opinion.

Senator FREAR. Yes, I recognize that.

Secretary DULLES. At the end of 5 years it will be renewed again.

Senator FREAR. Then you and the President may not agree on this?

Secretary DULLES. I think we do agree.

Senator FREAR. Is it his opinion then? Does he believe the same as you do according to that statement?

Secretary DULLES. The President believes, I think as strongly as I do and perhaps more strongly than I do that the policies represented by this act are sound and should be a permanent part of our foreign-trade structure.

Senator FREAR. Then as far as this committee is concerned, you could have said it is the belief of the administration instead of making it personal?

Secretary DULLES. I think so, yes, sir.

Senator FREAR. Do you have any serious objections to the removal of section 6?

Secretary DULLES. That was not in the bill which the administration originally sought.

Senator FREAR. That is right.

If it is removed would you have serious objection?

Secretary DULLES. We have indicated now that it is acceptable to us, and I think that it would probably not be in the interests of the legislation to remove it.

Senator FREAR. I am just trying to get the degree of seriousness from you, Mr. Secretary, that is all.

I mean how formidable is this, expressing it in degrees of seriousness? Is it serious or not?

Secretary DULLES. Is what serious?

Senator FREAR. The removal of the section. How serious would you consider it to be if section 6 were removed?

Secretary DULLES. I would not want to express an opinion about that because that requires a judgment about the legislative position in the House which I do not feel I am competent to render.

Senator FREAR. I know, but we need your judgment here, sir. I do not want to press you too far, but I am doing my best to.

Secretary DULLES. I am delighted to give my judgment about matters that I know about, but I am not an expert judge about the legislative climate here in the Congress.

I have to work on other matters than that, and to ask me for an expert opinion as to what I think the impact would be upon the House of taking out a provision which they have overwhelmingly adopted and which the administration agreed to, that I have no expert opinion about.

Senator FREAR. Do you want to just make a simple "Yes" or "No" statement as to whether you have any serious objection to the removal of section 6?

Secretary DULLES. I would not want to make a "Yes" or "No" answer to that because that deals with a field as to which I do not feel competent or qualified to speak for the administration.

I said on coming here that I came here primarily to speak about the foreign policy aspects of this legislation.

You are going to have the Secretary of Commerce here this afternoon I guess and others who are more familiar than I am with the domestic aspects of it.

Senator FREAR. That is true, Mr. Secretary, but you know these people have a lot of respect for what you say.

Secretary DULLES. I think if they have respect for me it is because I try to take care of my own knitting and I do not get into things I do not know about.

Senator FREAR. That is a wonderful policy, and I admire you for that.

However, then do you want to venture to say that this section 6 is a good proposal?

Secretary DULLES. I do not want to speak to that at all, Senator. You can get other people who are far more qualified than I am to speak to that.

Senator FREAR. Thank you, Mr. Secretary. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Secretary, I was very much interested in the responses you made to Senator Kerr and Senator Williams as to the area of importations you would regard as dangerous to national defense.

Secretary DULLES. Where is that?

Senator KERR. Under section 7, I believe, of the act of 1955.

The CHAIRMAN. An amendment relative to this subject was inserted by the Senate Finance Committee I think 3 years ago.

Secretary DULLES. Three years ago the section read:

> * * * has reason to believe that any article is being imported into the United States in such quantities as to threaten to impair the national security.

The CHAIRMAN. What I wanted to get from you is, what articles would be included in that definition?

In other words, what importations would threaten the national security?

Secretary DULLES. I think you are going to have other people more qualified than I am to testify on that particular point.

There are a number of commodities, petroleum and petroleum products is certainly one, the other essential metals, lead, zinc, and the like, are those that come immediately to my mind.

There are undoubtedly quite a mass of others, but the ODM would be able to advise you about that much better than I could.

My advice would only be casual as things come to my attention.

The CHAIRMAN. The amendment was adopted 3 years ago. Has there been any investigation as to importations that would impair national security?

Secretary DULLES. Yes, several.

The CHAIRMAN. Could you give a list of them, and explain why no action has been taken. Has any action been taken under this section except on a voluntary basis?

Secretary DULLES. Action has been taken on what you might call a semivoluntary basis with respect to petroleum, for example.

The CHAIRMAN. There has been no mandatory enforcement of reduction in these importations; has there?

Secretary DULLES. You are speaking now about petroleum?

The CHAIRMAN. I am speaking of anything under that section.

I would like to know whether we have taken any action to reduce these imports?

Secretary DULLES. Yes, sir.

The CHAIRMAN. What were they?

Secretary DULLES. Petroleum.

The CHAIRMAN. That was voluntary; was it not?

Secretary DULLES. The quotas were accepted voluntarily by the companies.

The CHAIRMAN. Were those quotas carried out?

Secretary DULLES. Yes, sir.

The CHAIRMAN. There has been complaint made to me that they were not carried out.

Secretary DULLES. The quotas were designed to reduce the imports to a given percentage of out total production, and actually the imports as I understand it are even less than what was sought by those regulations.

The CHAIRMAN. I think the committee would like to have, Mr. Secretary, the articles that in the judgment of the Director of the Defense Mobilization come in the area of those things imported which would impair national security.

It is not only oil, is it?

Secretary DULLES. No, no.

The CHAIRMAN. There must be a good many other things.

Secretary DULLES. Many other things. I am sure the Director of the Office of Defense Mobilization would be glad to furnish information on that subject.

The CHAIRMAN. But offhand you can think of only three, oil, lead, and zinc; is that it?

Secretary DULLES. No; there are a number of others.

For example, here I just happen to have a few things which illustrate the scope of this thing.

Petroleum, fluorspar, watches, dental burrs, photograph shutters, stencil silk, wooden boats, fine mesh wire cloth, thermometers, wool felt; those are all things on which there had either been hearings or projected hearings and in some cases the application has been withdrawn, cordage, wool fabrics, jeweled watches.

Senator LONG. Cordage was withdrawn, was it not, Mr. Secretary, if I may just interrupt?

Quite a few of those which you are listing were not decided——

Secretary DULLES. That is right, they were withdrawn. All I am saying is I give that list to indicate the potential scope of this, the very broad scope of this section.

Senator WILLIAMS. As I understood the answer to my question the scope is almost unlimited as to this?

Secretary DULLES. That is correct. Whenever there is any article, the excessive importation of which is deemed to affect detrimentally the national security, then this section can be invoked.

Senator WILLIAMS. It is my understanding that it is not necessarily confined to articles extracted from the soil but it could be any article manufactured or otherwise.

Secretary DULLES. That is correct. I perhaps carelessly used the word "extracted" because we were thinking about petroleum products, but actually, it is anything.

Senator WILLIAMS. That was my understanding of it.

The CHAIRMAN. Who makes that decision as to whether national security would be impaired?

Secretary DULLES. The President on the advice of the Director of the Office of Defense Mobilization.

The CHAIRMAN. I assume you will furnish the committee a list of those articles that in the judgment of the Office of Defense Mobilization could be classified as the imports which would affect national security.

Secretary DULLES. I think, Senator, that would be an extremely difficult thing to give an all-embracive list, because there are so many things which do affect the national security that you would have to make a list almost as long as——

The CHAIRMAN. Take textiles. Would the importation of textiles affect the national security?

Secretary DULLES. I can conceive of certain chances where it might.

I do not think it does at the present time. That is one of the reasons why it is not easy to submit a list, because in the last analysis almost everything contributes to some extent to the national security.

You have got to have uniforms for your soldiers, and I suppose that if imports——

Senator KERR. Parachutes.

Secretary DULLES. Were of such a character that you would not possess within your own country the capacity to make uniforms for your soldiers, then you would put it on the list. This is not anything which is static.

The CHAIRMAN. What about chemicals?

Secretary DULLES. There again you can have a situation I am quite sure where the importations might theoretically destroy our capacity to have certain essential chemicals. If so, then they would go on the list.

Senator KERR. If we should get to the point where we had a great population beyond that which we could feed ourselves and get an importation of food that then climbed beyond the requirements to the point where it might impair the ability of our domestic producers to do the utmost that they could for it, it might even go that far; could it not?

Secretary DULLES. Yes; I think those are rather theoretical conditions given the fact that our present problem is how to get rid of our surplus food, but as you point out, theoretically you could develop I suppose, a dependency upon foreign food imports which would be dangerous, but that is highly theoretical at the present time. We have still got Senator Byrd's apples to live off of.

The CHAIRMAN. I wish we could export some of these apples. We would like all of the information, Mr. Secretary, you can give us as to what areas this would cover or could cover. I think this is quite important in the consideration of this bill.

Secretary DULLES. I think the peril point works pretty well.

The CHAIRMAN. It works pretty well in some cases, but the President has not approved the recommendations of the Tariff Commission.

Secretary Dulles. I think perhaps you refer to the escape clause but not the peril point.

The CHAIRMAN. Either one.

Would you furnish a list to the committee of all the actions taken under the escape clause and the peril point?

(The material referred to was subsequently submitted for the record as follows:)

TERMINATION OF TRADE AGREEMENTS

The bilateral trade agreements are all subject to termination on 6 months' notice by either party. A country party to the General Agreement on Tariffs and Trade may, under definitive application of the agreement, withdraw on 6 months' notice. However, the agreement is currently being applied by the United States on a provisional basis and the United States could, accordingly, withdraw on 60 days' notice.

PRESIDENT'S ACTION ON ESCAPE-CLAUSE REPORTS SENT TO THE PRESIDENT BY THE TARIFF COMMISSION

1. In 25 cases, the Tariff Commission has decided in favor of escape-clause action. These cases and the President's disposition of each are shown below:

Case	Recommendation of Tariff Commission	President's action
Women's fur felt hats and hat bodies	Modify tariff concession	Accepted.
Hatters' fur	do	Do.
Garlic	do	Rejected.
Watches (1st investigation)	do	Do.
Dried figs	do	Accepted.
Tobacco pipes and bowls	do	Rejected.
Silk scarves	do	Do.
Scissors and shears	do	Do.
Ground-fish fillets (2d investigation)	do	Do.
Lead and zinc (1st investigation)	do	Rejected but announced other remedy.
Alsike clover seed	do	Accepted in part.
Watches (2d investigation)	do	Accepted.
Bicycles (2d investigation)	do	Accepted in part.
Ferrocerium	Withdrawal of concession	Rejected.
Linen toweling	do	Accepted.
Groundfish fillets (3d investigation)	Modify tariff concession	Rejected but announced alternative remedy.
Velveteen fabrics	do	Do.
Violins and violas	do	Rejected.
Straigh pins (2d investigation)	do	Do.
Safety pins (2d investigation)	do	Accepted.
Spring clothespins (4th investigation)	do	Accepted in part.
Stainless-steel table flatware	Withdrawal of concession	Rejected but announced other remedy.
Umbrella frames	Modify tariff concession	Asked supplemental information.
Clinical therometers	Withdrawal of concession	Accepted.
Lead and zinc (2d investigation)	Modify concession (even division as to remedies).	Suspended action pending congressional consideration of alternative remedy.

2. In five cases, the Tariff Commission divided evenly on the question whether serious injury was caused or threatened. These reports were sent to the President, who broke the tie in each case by voting with the group which found no ground for action. These cases are:

Handmade blown glassware
Spring clothespins (third investigation)
Wood screws (third investigation)
Fluorspar (second investigation)
Para-aminosalicylic acid

3. President's action on peril-point findings: Peril-point investigations have been made and transmitted to the President on all articles considered for possible tariff concession in negotiations carried out at times when this procedure was in effect for trade-agreement operations. No agreement concluded while peril-point legislation was in effect has contained any concession making effective a rate below a peril point found by the Tariff Commission.

In the supplemental negotiations with Venezuela in 1952, when the President did not have authority to break ties by his vote, a concession was granted on petroleum in a case in which the Commission divided evenly in its finding. The details of this action were reported to the Congress at that time. In addition it may be noted that in the 1956 tariff negotiations, the Tariff Commission found that existing duties on three items were inadequate to avoid serious injury, and the President was successful in negotiating only one of the three proposed increases. A report was also transmitted to the Congress concerning the other two, namely certain tungsten alloys and violins and violas.

Secretary DULLES. Yes, sir.

The CHAIRMAN. Have it show what the President has done and so forth?

Secretary DULLES. Yes.

The CHAIRMAN. And other information we would like to have is copies of the agreements that have been made with these forty-odd nations, showing expiration dates and so forth.

Secretary DULLES. Yes.

(The material referred to has been supplied to the committee and is retained in the committee files.)

The CHAIRMAN. Senator Flanders?

Senator FLANDERS. Mr. Secretary, your statement was a very adequate statement it seems to me of the importance of reciprocal-trade treaties from the international standpoint, and its importance is one which I think I have recognized over the years.

I do a this moment find particular interest in the paragraph at the foot of page 6 from your statement. I will read it;

> Why then should we insist upon the reargumentation of its merits every 3 years or oftener and lead our friends abroad to fear we may suddenly reverse our trade policy? The Trade Agreements Act has become a symbol around which other free world countries develop their trade policies and make their plans.
>
> Greater stability in our program would certainly mean greater stability in their programs.
>
> Can there be any doubt that such stability would benefit us all.

Now that last question is one which raises some questions in my mind. You would want to be sure, would you not, that reciprocal-trade policies which have been followed and which this extension of the law will permit us to follow are helpful to the internal prosperity of the United States. That is in your mind?

Secretary DULLES. Yes, sir.

Senator FLANDERS. As well as the support of our foreign relations.

Secretary DULLES. I think that one has to take into account obviously both the impact of this upon our foreign relations and also upon our domestic economy.

Senator FLANDERS. May I say that I have become disturbed in the last year or so with what seemed to me to be increasing problems toward which our reciprocal-trade policies are leading us. I expressed this in a memorandum of May 12 to Secretary Weeks; a memorandum giving a series of questions.

I am going to talk with him in detail about that, but there are one or two points in it to which I would like to refer at the present time, and for that purpose I am passing a copy over to you. Our clerk here has other copies to pass to others as well.

(The document referred to follows:)

MEMORANDUM

MAY 12, 1958.

To: Hon. Sinclair Weeks, Secretary of Commerce.
From: Senator Ralph E. Flanders.
Subject: Administration trade policy.

The administration has not made its case for a 5-year extension of the reciprocal-trade treaties on the basis of its present practices in negotiation. The theory of the advantages of reciprocal trade is based on free trade theory which was perhaps most authoritatively developed by Professor Tausig of Harvard in the 1920's. His classical development of that theory was logical for the conditions then existing. Those conditions no longer exist and a new examination of trade policy is required.

Among others the following changes have taken place:

1. Professor Tausig assumed that the gold standard was in active effect with tendency automatically to keep the price levels of the commercial nations within

bounds. The gold standard has gone out of existence and there is no automatic price stabilizer.

2. The assumption was made that when the United States makes purchases abroad, the dollars paid for the purchase have no ultimate value except as they return here to purchase American goods or services. This is no longer strictly true since dollar balances rather than gold balances are now the accepted reserves for giving financial stability to other nations. There is therefore a tendency to retain dollars instead of sending them back to the United States for purchases.

3. There was assumed an elasticity in prices which would take place in such a way as to bring price levels into balance. That elasticity no longer exists. The wage-price inflationary spiral is inflexibly without downward movement, and seems to be uncontrollable in the upward movement. Our economy is thus getting progressively out of balance with the price level of the rest of the world. American products are being priced out of the international market, and the range of goods in which we can effectively compete is narrowing year by year.

4. Another new factor is the increasing exportability of American know-how, equipment, and capital. To the extent that this was done under the Marshall plan, it had the highly successful effect of restoring the economies of the Western European nations. It had a side effect of increasing the effectiveness of European competition. Its present effect is to expand our investment abroad so that we can compete in world markets by manufacturing at lower wage rates abroad and thus regain lost markets from which we have been priced out by our wage-price spiral.

5. We will have to make a new examination of our policy of meeting destructive competition from abroad by raising tariffs and not by establishing quotas. There are commodities in which oriental competition is so severe that raising tariffs to protect our own industries shuts out the competition of European countries which we are, or should be, willing to meet. We have gone halfway toward employing quotas for protection by negotiating them as voluntary restraints on the part of oriental competitors. We may find it necessary to impose where we cannot negotiate.

The above list of changes in the conditions on which classical free-trade theory was based make it evident that we cannot continue without a reexamination of the bases of our policy. Among the lines of study which I would suggest are the following:

(*a*) Some calculation as to the number of labor hours lost by importing goods instead of manufacturing them, to set against the only figure now offered, which is the labor hours presently employed on exported goods. This latter figure is meaningless without its offset.

(*b*) Examination of the desirability of basing our trade policy on desired imports, with export business sufficient to pay for them and for exported capital and equipment for our investments abroad.

(*c*) An examination of the wisdom of our supporting economic areas consisting of nations with resources and industries which on the whole tend to complement each other. An example is the contemplated common-market area in Western Europe. Another example (which I believe to be economically sound) is the "greater eastern Asian coprosperity sphere" which the Janapanese sought most unfortunately to put into effect by force of arms. Our own economic area might well include Canada and a large part of South America. In all these groups and others which might be considered, there is a common interest which leads to mutual profits rather than to economic disruption.

(*d*) There should also be an examination of the effect of tariff reductions under the reciprocal-trade treaties on small and local industries. We have to ask ourselves the question whether if that effect is severe we are prepared to discriminate against them and in favor of large corporations with varied products which can more easily adapt themselves to handicaps in the marketing of particular products, which consitute but a small percentage of their business.

(*e*) We should consider whether continued adherence to the classical theories involves, or can be detached from, the necessity for building up the rest of the world while our own economic strength goes down. Can we so manage our policy that the world strength goes up as ours goes up rather than the reverse? The administration has a very serious responsibility in deciding which of our industries shall continue and which shall be marked for more severe and perhaps fatal competition. This is the more serious as it becomes evident that few of our industries will be safe if the wage-price spiral continues.

I therefore propose first that the reciprocal-trade treaties be continued for 3 years only, not 5.

I propose secondly that this extension be granted in consideration of the appointment of a commission which shall examine in detail the questions I am raising in this memorandum and any other pertinent questions which may be developed, and that said Commission shall be required to report its findings to the Congress in January of 1960, well in advance of the time when the renewal of the reciprocal-trade treaties again comes before the Congress.

It scarcely needs to be said that the existing treaties will remain in effect unless abrogated, whether or not the reciprocal-trade legislation is extended. It is necessary to say this, however, because much popular support of the existing law is based on the assumption that otherwise we "will go back to the Smoot-Hawley Tariff." This is, of course, not true and the sentiment for reciprocal trade should not have to be supported by any such assumptions.

Meanwhile, it is to be hoped that the administration will concentrate its negotiations during the 2-year extension on those products and commodities now carrying a high rate of tariff, rather than making further reductions in the low-tariff products which meet severe foreign competition.

(The Secretary of Commerce subsequently forwarded to the committee for insertion in the record his reply to Senator Flanders' memorandum of May 12:)

Hon. Ralph E. Flanders,
United States Senate,
Washington, D. C.

Dear Senator Flanders: I have given considerable thought to your May 12 memorandum on trade policy. Several of he questions you raise are quite complex, and I think it would be best for me to give you my reaction on a point-by-point basis in order of presentation in your memorandum.

1. The economic basis of the program is the sound concept of comparative advantage, which does not presuppose any particular mechanism of adjustments to international disequilibria, such as the gold standard, but merely presupposes the existence, in one or both areas involved in trade transactions, of differences—for whatever reasons—in comparative costs of producing various goods and services. In essence, the program is simply an application to international transactions of the basic free-enterprise principles on which we rely so heavily for successful operation of the domestic economy.

Neither the nature of Professor Taussig's assumptions regarding the gold standard nor the fact that the gold standard has long since passed from the scene is germane to consideration of the trade-agreements program. After all, the first Trade Agreements Act was not passed until after all of the major trading nations, including the United States, had abandoned the old gold standard. The gold-standard mechanism of adjustments to international disequilibria played no part whatever in the rationale of the original trade-agreements legislation, nor in that of the successive extensions of the act during the past two decades.

2. The assumption that dollars paid for purchase of foreign goods have no ultimate value except as potential claims upon American goods or services is not invalidated by the increased importance of dollar balances as international reserves, nor by the tendency in recent years for foreign countries to enlarge their holdings of liquid dollar assets. On the contrary, the value of dollars as international reserves fundamentally rests precisely on their ultimate value for procurement of United States goods or services. The tendency of foreign countries to expand their dollar holdings has been in part merely a matter of restoring—with due allowance for expansion of trade levels—reserves depleted during the war and early postwar reconstruction periods. Apart from that, it is a natural consequence of the relatively new role of the United States as a major international banker—a reflection of the vast sums which United States private businesses and the United States Government have invested abroad. It is inevitable and normal for large liquid balances to be held in a major international creditor country by residents of other countries, and for these holdings—to a considerable extent in the nature of working balances—to tend toward growth with the growth in levels of trade and of the creditor's foreign investments.

The existence of such a tendency does not imply that dollars paid out by the United States will not continue to be spent here. Given basic propensities for current spending and for additions to reserves by foreign countries, it remains as true as ever that marginal increments in dollar payments by the United States result in roughly commensurate increments in foreign purchases of United States goods and services, and that inhibition of dollar payments results in corresponding limitation of foreign purchases here.

Convertibility and multilateral balancing of accounts is not a new factor in international trade. It has always been axiomatic that the amounts of goods and services which we can sell abroad are correlated with—and except over relatively short interludes, limited by—the amounts of goods and services which we buy from the rest of the world plus the amounts which we invest abroad or otherwise transfer to foreign countries, either privately or governmentally. This proposition, which lies at the heart of our trade-agreements policy, is sometimes obscure to those who limit themselves to fragmentary views or piecemeal observations regarding particular commodities, individual countries or areas, and/or brief periods of time; but the fact that a balance of receipts and expenditures does not necessarily hold in transactions with any one country at any time, or with the world as a whole (apart from changes in foreign holdings of dollar assets) over short intervals, does not make the global limitation of our foreign sales potential by our total foreign payments any less real.

This is not a merely theoretical proposition. It is thoroughly confirmed by empirical experience, as is evident to anyone who studies the long-term history of the United States international balance of payments. In the nearly four decades from 1919 through 1957, the United States made payments to foreign countries and international institutions totaling, according to the official estimates, $445 billion. This figure includes, of course, our net private investment abroad, private remittances, and Government grants and loans, as well as all our purchases of foreign goods and services. During the same 39 years, cumulative United States receipts from sales of goods and services to foreign countries, together with statistical errors and omissions aggregating $6¼ billion, were $443 billion, or 99.4 percent of all the dollars paid out. The resultant net increase over these decades in foreign holdings of gold and dollar assets (including long-term investments by foreigners here, as well as liquid dollar balances) was just about $2½ billion, or less than 0.6 percent of the total.

In the face of these figures, it would be difficult to suggest that the dollars we spent abroad have no potent tendency to rebound to the benefit of our exporting industries. The contrary is perfectly clear in the record. Over nearly four full decades, they have returned virtually dollar for dollar to the benefit of United States export industries and no valid reasons have been advanced for doubt that the same strong tendency will prevail in the future.

However, the impression should not be left that it is only in the very long run that our export sales are closely correlated with our payments to foreign countries. While the trends can, of course, diverge temporarily because of the possibilities of liquidation, replenishment, or expansion of foreign dollar holdings, United States exports of goods and services are nevertheless highly responsive to changes in the level of our payments to the rest of the world, even over periods of a very few years. This is brought out in the attached chart, depicting total international payments and receipts of the United States (except changes in foreign gold and dollar asset holdings) annually since 1919.

The chart speaks for itself. It is difficult to imagine two more closely correlated series of economic statistics. With but 3 or 4 exceptions, of which the year 1950 is the only notable case, even year-to-year changes in United States receipts have consistently followed the direction of changes in total United States payments to foreign countries.

3. It may be true that an inexorable long-term upward trend in price levels now prevails (though this is certainly not beyond the control of monetary and fiscal policy, if sufficient priority and public support is given to that objective). However, such a tendency certainly is not peculiar to the United States alone. Hence, it does not follow that "our economy is thus getting progressively out of balance with the price level of the rest of the world."

On the contrary, price increases have been greater in most other countries than in the United States during most of the period since World War II. This is illustrated, for the years 1950 through 1957, by the attached tabulation of both wholesale and consumer price indexes for the United States and nine other leading industrial countries.

These figures, taken primarily from statistical publications of the United Nations, show that wholesale prices have risen considerably more since 1950 in France, Sweden, the United Kingdom, and Japan, and somewhat more in Germany and the Netherlands, than in the United States. The average change in wholesale prices since 1950 in Belgium, Italy, and Switzerland has been about the same as that in the United States.

Over the same period, the cost-of-living indexes for France, Italy, Sweden, the United Kingdom, and Japan have all risen considerably more sharply than has the consumer price index for the United States, and that for the Netherlands has risen somewhat more sharply. The indexes for Belgium and Germany have shown changes roughly parallel to our own while that for Switzerland has risen slightly less than ours.

Generally speaking, then, the evidence shows that if the United States price level is "getting progressively out of line," it is lagging below the "line" rather than climbing above it. As a matter of fact, reputable foreign theoreticians have so interpreted the situation, and have been very seriously worried about the possible long-run inability of their economies to meet United States competition.

The assertion that "the range of goods in which we can effectively compete is narrowing year by year" does not seem to be supported by any evidence. There is, of course, a constant shifting of competitive conditions in international markets; but the volume of goods supplied to them by the United States in the past two years has been the largest in history, and this record volume—far from comprising a narrower range of products—appears to have been more highly diversified than ever before.

4. The suggestion that growth of United States investment abroad has stemmed importantly from an effort to "regain lost markets from which we have been priced out by our wage-price spiral" is fallacious. As noted under item 3, above, the wage-price spiral in the United States has actually been less steeply upward than in most of the countries which constitute our principal competitors in world markets for manufactured goods. The reasons for expansion of various types of United States foreign investments are numerous and complex, but they obviously do not include the one alleged here.

5. In contemplating the use of quotas as an expedient to protect certain industries against abrupt or severe dislocations which might result from increased imports, we must always remember that they have many disadvantages.

When quotas are applied on some products it is difficult to reject their use on others. Furthermore, once a quota has been adopted it is usually necessary to allocate shares among different supplying countries and among different importers. It is also necessary to keep these quota operations under constant surveillance and to police them to prevent transshipment and other evasions. Thus Government intervention, once initiated, tends to feed on itself, constantly spreading through day-to-day business operations, further curtailing the automatic market adjustments of competition.

Quantitative import restrictions are especially hard on small businesses which have difficulty financing large inventories from quota period to quota period.

Any general resort to quotas on the part of the United States would weaken our current efforts to reduce foreign quantitative restrictions against our own exports. Actually the United States has been the greatest victim of quotas and stands to gain the most from progress in their abolition. As a large exporter and an efficient producer of products wanted by other countries, we have more to gain by avoiding quotas and more to lose by any action on our part which encourages their greater use throughout the world.

(*a*) The attached extract from a Labor Department study gives an estimate (in the nature of an outside order-of-magnitude limit) of the number of United States jobs "lost" in 1956 by importing dutiable goods instead of producing them—the number "lost" or "displaced" being computed as the number of fulltime workers who would have been required to produce the equivalent of dutiable imports, on the assumption that all of them could have been made by American workers. The Labor Department study goes on to explain some of the reasons why the rough estimate given—"approximately 1 million"—is "obviously much too high." In addition, it may be noted that a similar estimate covering only dutiable manufactured goods would be considerably lower, while one covering duty-free goods as well as dutiable merchandise might be much higher, even without going to such ridiculous extremes as computing, for example, the numbers of workers required to produce our supply of coffee by hothouse methods.

The notion that the available estimate of man-years utilized in producing exported goods and related services is "meaningless without its offset" is not well founded. In the case of export employment, the estimators—despite difficult statistical problems—can deal with a clear and straightforward concept of employment actually utilized in producing certain values which were definitely created by the United States economy. Any attempt to compute man-years "lost" through imports, on the other hand, not only encounters equal or greater difficulties of a statistical nature, but must be predicated upon purely hypothetical concepts regarding situations which might prevail in an entirely different economic world. So many speculative judgments must be pyramided in this process that the meaningfulness of any general estimate of this kind is open to the gravest doubts.

(b) If our trade policy were to be based upon "desired imports," who would decide what were the "desired imports"? In a free enterprise economy, such decisions are normally made by the market place. Deciding by Government fiat what imports might be "desirable" would run counter to the principles under which our dynamic economy has prospered in the past.

(c) In the references to support for "economic areas consisting of nations with resources and industries which on the whole tend to complement each other," it is not at all clear what concept of an economic area is envisioned, nor what is meant by "our supporting" any such area. With regard to complementarity of the component nations' economies, the situation of the six common-market countries is certainly radically different from that of the Far Eastern area mentioned, or of the Western Hemisphere group.

Indeed, the necessity for elaborate arrangements to bring the common market into existence is a reflection of the fact that what is involved is the integration of broadly similar economies, rather than mere formalization of closely complementary economic relationships which would prevail, generally speaking, in any event. Contrastingly, relationships among the Western Hemisphere and Far Eastern countries, respectively, tend to be essentially of the latter type. In each of these areas, the grounds for trade between a predominant industrial nation, on the one hand, and a group of countries exporting chiefly primary products, on the other, are so overwhelming that no special economic integration measures are required to promote the trade in question. The degree to which such trade is likely to be inhibited by narrowly nationalistic economic policies is minimal as compared with the degree of limitation inherent in corresponding policies in Western Europe. Under these circumstances, arrangements along the lines of the common market would not offer anything like the same prospect that they do in Western Europe of bringing about fundamental changes in the character of the trade and the economic productivity of the areas involved.

(d) Since there is no compilation of United States foreign trade statistics according to size of the trading firms or of the domestic firms affected by competitive imports, it is impossible to make any factually based analysis of the effects of past tariff reductions on enterprises of any given size. It is worth noting, however, that size has not been a criterion for determination of peril point or escape clause findings in the past, nor is it a criterion in the administration's pending bill. Since that bill contains fully adequate safeguards for domestic industries, regardless of size, the question of possible discrimination against small or local industries in favor of large corporations simply does not arise.

(e) In all probability, the economic strength of the United States and that of the rest of the free world will rise or fall together. United States commercial policies tending to weaken our friends economically will tend to weaken us, too, and policies which truly strengthen our own economy as a whole will fortunately contribute also to the strength of our friends abroad.

Under the pending Trade Agreements bill, there is no possibility of "deciding which of our industries * * * shall be marked for * * * perhaps fatal competition." To be sure, the bill does envision the encouragement of expansion in our more productive industries, but it does not contemplate the sacrifice of existing industries to accomplish this common-sense objective. On the contrary, it includes all existing and some newly added safeguards against injury to domestic industries through increased imports which might result from tariff reductions.

"POLICY PROPOSALS"

Adoption of the proposal that the Trade Agreements Act be extended for only 2 years, instead of 5, is not responsive to United States policy needs. It would place the United States in a weak and uncertain negotiating position during the crucial formative period of detailed and specific determination by the common market countries what will be their ultimately uniform external duties on imported merchandise, including that from the United States. In view of the potentially profound effects of the common market upon our trade with Europe in decades ahead, it is vital that we retain the strongest and most flexible possible bargaining position in order to minimize the danger of common market decisions prejudicial to our national commercial interests. A detailed analysis of the need for tariff negotiations with the common market and the prospective timetable showing the need for 5-year renewal is attached. Even in the absence of the common market development, a 2-year extension would provide so little assurance to other countries of stability in our tariff policy that we would have great difficulty in negotiating worthwhile concessions for our exports. Moreover, the processes of preparing for tariff negotiations and conducting them are so cumbersome and time consuming that an extension as short as 2 years would in any event curb the scope of the necessary staff work and thus limit the possibility of fruitful results.

The proposal for appointment of another Commission to examine questions relating to United States foreign commercial policies appears to overlook the intensive investigations in this field carried out so competently only a few years ago by the distinguished members of the President's Commission on Foreign Economic Policy (Randall Commission). The fact that no revolutionary changes have since occurred in basic conditions under which world trade is conducted makes it unlikely that a new Commission would arrive at fundamentally different conclusions. The guidelines laid down by the Randall Commission are still eminently appropriate, and a project to have them largely reconfirmed by another Commission would appear both unnecessary and unduly costly.

The 5-year authority would be used primarily in connection with those rates which are now unnecessarily burdensome, and concessions would not be made in cases where injurious increases in imports would be threatened. The probable effects of duty reductions are not necessarily correlated with the height of the existing duties. Some high duties could be reduced only at considerable risk of injury to domestic producers, while some relatively low duties could well be further reduced without such risks. The appropriate test lies in the probable result of a change in a tariff rate, rather than in the absolute level of a prevailing rate.

Sincerely yours,

SINCLAIR WEEKS, *Secretary of Commerce.*

Index numbers of wholesale prices and cost of living in selected industrial countries, 1950 and 1953–57

[1950=100]

Country	1950	1953	1954	1955	1956	1957
Wholesale prices:						
United States	100	106	106	107	111	114
Belgium	100	108	106	109	112	114
France	100	128	126	126	131	138
Germany, Federal Republic of [1]	100	118	115	119	121	124
Italy	100	108	106	108	110	111
Netherlands	100	115	116	117	120	123
Sweden	100	132	130	136	142	145
Switzerland	100	105	106	106	108	111
United Kingdom [2]	100	118	118	122	127	132
Japan	100	143	141	140	146	150
Cost of living:						
United States	100	111	111	111	113	117
Belgium	100	110	111	111	114	118
France	100	130	130	131	134	138
Germany, Federal Republic of	100	108	108	110	113	114
Italy	100	116	120	122	127	128
Netherlands	100	110	114	116	119	125
Sweden	100	127	128	132	138	143
Switzerland	100	106	107	109	109	112
United Kingdom	100	123	126	131	138	143
Japan	100	130	138	136	138	142

[1] Producers' prices of industrial products.
[2] Manufactured products, except food, tobacco, and fuel.

Sources: United Nations—Statistical Yearbook and monthly bulletin of statistics, International Monetary Fund—International Financial Statistics OEEC—Statistical Bulletin. Prepared by: International Economic Analysis Division, Bureau of Foreign Commerce, U. S. Department of Commerce, June 1958.

Senator FLANDERS. There are 2 or 3 points with regard to these questions that I would like to take up with you; particularly in view of the fact that unless new light shines on me from some high source, it is my intention to support a 3-year extension of the act and to call for a new examination of its basis—a thorough professional economic examination and a report of a Commission brought to the Congress at the beginning of the new session of the Congress in 1960.

You might well ask why we should have a new report.

I have on my desk across the hall at this moment a series of reports going back just to 1950 and those reports alone total 11⅞ inches high.

Why do we need a new one? But I feel that we do. As I set forth in this memorandum, it seems to me that the basis of our reciprocal trade treaties is fundamentally the free trade basis. It was because I had as an amateur, and before I ever though of coming to this place, studied particularly Professor Tausig's book that I became convinced that it was a logical basis for national policy.

With that in mind, I stumped for reciprocal trade.

At one time I occupied the platform down in Constitution Hall with Charles Taft and a full hall. It is the only full hall I have ever had before or since.

I would not do it again until certain questions are asked. Just briefly, Professor Tausig assumed that the gold standard would automatically tend to keep prices at a level, and then that dollars which we paid for imports had no ultimate value except as they return to purchase American goods or services.

Now of course they are hoarded as balances to give financial stability.

Then there was the assumption that there was an elasticity in prices. There is only an elasticity one way now. They do not go down.

Then there is a new factor of the increased exportability of American know-how, equipment, and capital. There was the assumption always then that there were certain things that we knew how to do better than the rest of the world. There are, and these have been, and so we send all our equipment and capital and know-how abroad. And there are other things in there which I will not go into.

I am just making this statement that regretfully I shall ask to have the extension for 3 years only and shall ask to have a professionally competent analysis made of these points by a commission appointed for the purpose. It seems to me, Mr. Chairman, that I am now making a speech instead of asking questions.

If the chairman and the Secretary will bear with me, I will only make this speech for 2 or 3 minutes more and then get back to questions. It has seemed to me that the very logical conclusions of men like Professor Tausig, based on then world conditions, were accepted by Cordell Hull and have ever since been accepted by the various administrations and by the State Department as an article of faith.

They have become a religion. I am just proposing that we see what basis of fact and of reasonable development we may put under this article of faith.

As a matter of fact, you had a religious revival service in town here a few weeks ago which again emphasizes the fact that it has become a religious faith.

But let's examine the basis of our faith. I think we will not come out too badly for the things you have in mind. But your foundation is very weak at the present time. Let's see if we can see what we can build under it, if anything.

Now I would like to resume attention to one particular point of your testimony with reference to the Common Market in Europe.

I rather gather, Mr. Secretary, from your section 6, pages 4 and 5, that you see certain possible perils to our reciprocal trade policies that might arise from the effects of the Common Market, is that true?

Secretary DULLES. There are possible dangers. We already have, of course, in our agreements, provisions which give a measure of protection against tariff increases, but we shall need, I think, tariff decreases if the position of the American exporter in that area is to be maintained, because at the present time, for example, exports from Italy to France pay the same duty as exports from the United States to France.

After this is over, they will not. After this comes into force, they will not. Therefore, we will need a certain negotiating facility with reference to that situation, if the operation is not to be conducted in a way which would be injurious to the American exporter.

Senator FLANDERS. I have long felt that by opening up the Common Market, the nations of Western Europe could do far more for themselves than we could ever do for them.

I have felt indeed that if they can effectively establish that common market, they would lose any dependence on us for economic aid, and I am a little bit disturbed to find that we are going to perhaps find it necessary to interject ourselves into that process.

I certainly would not want to do it in any way that would weaken their ability to take care of themselves.

Secretary DULLES. That, Senator, is our sentiment also. The advocacy of greater unity in Europe is something which I would say has been expressed most eloquently by President Eisenhower before he was President.

I have expressed those sentiments, too, though I do not claim equal eloquence, and I have expressed them at various times before the Congress. I recall that when I testified here on behalf of the European recovery program, I put a great deal of emphasis upon that point, and you will recall that the original European recovery legislation spoke about the importance of creating in Europe a common market.

This is something we have been working for, and there is certainly no disposition on our part to block that in any way. It may be that in order to get for ourselves the advantages that go with freer trade, we will have to negotiate with it.

Almost every country in the world is going to have to negotiate with this new entity that is coming into being. The United Kingdom is deeply concerned with this matter, and is more vitally affected perhaps, certainly, than we are. But it is important that this common market shall be surrounded not by high tariff walls, but by low tariff walls, and I think most of the members of the community will want that. But there is going to be a very important area for negotiation.

Senator FLANDERS. I think that answers my question.

I might just remark in closing my part of this discussion that in this 11⅝-inch pile of studies of our foreign trade policy to which I referred the top one was the report of the Rockefeller brothers group.

Secretary DULLES. Yes.

Senator FLANDERS. And that just simply left out all the questions which I have raised. It took for granted that everything is jake. I do not think it is. I think that it needs to be demonstrated that everything is jake or what is jake and what is not jake. And so I am going to stand out here in the committee, and if the committee does not agree with me, on the floor, for the 3-year extension and for a professionally competent investigation of these questions that I am raising.

Secretary DULLES. When you first expressed yourself, Senator, you were not quite so categorical. You said you would stand out for that unless you saw the light.

Senator FLANDERS. Let's take it for granted that if new light shines on anybody it ought to be received and action taken in its light.

That is all, Mr. Chairman.

The CHAIRMAN. Senator Long.

Senator LONG. Mr. Secretary, there has been some discussion of section 7 of the Trade Agreements Act of 1955, relating to articles essential to defense.

My interpretation of that section is that it could apply to almost any article that the economy requires, but that the test is the quantity of imports, if the imports are in such quantity as to threaten to impair national security.

In other words, we want to be sure that we are able to produce, in event of a prolonged military conflict, all that we need of every essential article.

Secretary DULLES. Yes; I agree with that.

Senator LONG. Now, to illustrate that, Congress has actually legislated in considerable detail with relation to sugar.

Secretary DULLES. Yes.

Senator LONG. We have a Sugar Act. It does not come under this Trade Agreements Act at all. In the case of sugar, Congress has seen fit to permit foreign sources to import about 50 percent of our domestic needs. On the other hand, Congress has rather firmly protected the, roughly, 50 percent that is apparently necessary to maintain a domestic industry that could be expanded in wartime sufficient to meet our minimum requirements.

Secretary DULLES. Yes.

Senator LONG. That is in line with the thinking of this section, is it not? It is the level of imports, rather than the fact that something is essential that determines the application of tariffs.

Secretary DULLES. If I understand it, you are right. The section is not designed to prohibit importations merely because they are competitive with something that is important to the national security. It is designed to create a control over that situation when the imports are in such quantity as threaten to destroy an industry the vigorous life of which is essential or could be essential in time of war.

Senator LONG. Or if the extent of the imports are such that they curtail the industry and its capacity so greatly that the industry could not provide for our essential requirements in wartime.

Secretary DULLES. That is correct. I used the word "destroy." It doesn't have to go to the point of destruction.

Senator LONG. That is one point which I had in mind. An industry produces most efficiently, and, assuming any particular price level, tends to make the best profit when it is producing at or near capacity; over a period of time the Nation has no right to expect an industry to maintain a capacity far beyond its production unless some effort is made to compensate it, is that not correct?

Secretary DULLES. Yes, sir.

Senator LONG. Now, this section here could apply to automobiles under certain circumstances, could it not? In other words, we would certainly have to have some industry, we would have to have heavy industries that could give us large quantities of heavy production in wartime.

Secretary DULLES. Yes, sir. Obviously, we have to have trucks and the like in time of war. If the imports were such as to put the truck-manufacturing business into a condition where we would not have that, this could be invoked. Of course, actually, we are exporters at the present time of such goods, so it is somewhat academic.

Senator LONG. Of course, the automobile industry has proved itself to be one that could be converted to any one of our essential needs, to any one of several of our essential needs in the event of wartime.

We have seen that demonstrated, have we not?

Secretary DULLES. Yes.

Senator LONG. I would like to have, for the record as well as for my own use, the information that you have on the amount of imports that we are at present bringing into this country. We could then see what our present situation is. I believe you provided us with that when we had a previous hearing. Could you provide us with the quantity of imports on an item-by-item basis for the last year on which those figures are available?

Secretary DULLES. I am quite sure we can. Of course, Secretary Weeks undoubtedly has all of that at his fingertips.

Senator LONG. Can you provide us with some analysis as to the quantity of our imports which are not practicable to be produced here, such as tropical fruits, coffee, and certain kinds of strategic metals?

Secretary DULLES. Yes; I could do it. As I say, I think that the Department of Commerce is the proper agency to do that.

Senator LONG. If Commerce will supply it, instead, all right, but I hope that I can have some information comparing the percentage and relationship of our imports of articles that can be produced in the United States with our production of those same articles. Do you have any offhand impression of what that relationship would be?

Secretary DULLES. No, sir.

Senator LONG. I rather hesitate to ask you to get that, but it does seem to me that that is a very significant factor in considering this bill. In other words, if we eliminate those things which cannot be produced in this Nation, I think it would then be fair to say: How does our production of articles which are imported compare to the volume of imports of those articles?

Senator BENNETT. Don't you mean exported, Senator?

Senator LONG. No.

Senator BENNETT. The American production of the same article for which foreign production is also imported.

Senator LONG. Yes.

Senator BENNETT. Thank you. I am trying to follow you.

(The material referred to follows. Additional material was subsequently submitted for the use of the Committee and is retained in the committee files.)

Comparisons Between Imports and United States Domestic Production

In the tables following, an attempt is made to classify United States imports by broad groups, according to whether they are of categories wholly or almost entirely produced abroad, supplied in substantial portion from abroad to supplement domestic production, or of kinds of goods the bulk of the supply of which originates within the United States. The total for each group is then related to two indicators of United States overall production, the gross national product and United States production of movable goods.

It should be noted, however, that the relatively low resulting ratios—approximately 2 percent of gross national product or approximately 4 percent of movable goods production—do not by any means support the idea that imports could, without severe distortion of existing trade patterns, be spread so that imports uniformly equaled 2 or 4 percent of domestic production of competitive domestic output. As shown in the attached World Trade Information Service bulletins, part 3, Nos. 57-50 and 57-46, individual ratios of imports to new domestic supply vary enormously, even for the broad categories shown, and a move to even out the ratios would involve drastic restriction of some, while no tariff incentive that could be offered would bring some others up to the overall level desired. High duties are by no means the only reason for the bulk of domestic supplies coming from domestic sources, and even duty-free treatment will not induce the importation of other goods.

It should also be noted that any effort to regulate imports by the ratio to domestic production would encounter endless difficulties with respect to classification. Many specialties imported are, in fact, only semicompetitive with the most similar domestic product. Thus, if narrow classes were established, many goods now 100 percent imported would be severely restricted, whereas, if broader classes were used, the restriction might be much less severe. Should, for example, the relevant class be "Scotch whisky," "whisky," or "distilled spirits"? This kind of choice would have to be made respect most manufactured imports. Obviously, therefore, the system would not solve any problem, but would open enormous new difficulties, inequities, complaints, and trade restrictions.

United States Imports for Consumption by Selected Classes

Summary

Class	Million dollars	Percent of United States gross national product	Percent of United States production of movable goods
I. Imports the supply of which is wholly or almost entirely produced abroad:			
Agricultural	2,438		
Nonagricultural	2,020		
Total	4,458	1.0	2.1
II. Principal commodities the supply of which is from United States production in considerable part, but of which substantial imports are necessary to supplement domestic production:			
Agricultural	650		
Nonagricultural	1,265		
Total	1,914	.4	.9
III. Principal imports of goods in general classes for which most of domestic demand is supplied from United States production:[1]			
Agricultural	839		
Nonagricultural	5,710		
Total	6,549	1.5	3.1

[1] In many of the categories listed, however, imports consist predominantly, or extensively, of specialties, distinctive types or grades, or off-season produce not fully competitive with domestic products of the same general classes.

Class and commodity

	Million dollars
I. Imports the supply of which is wholly or almost entirely produced abroad:	
Agricultural, total	2,438
Coffee	1,370
Cocoa	185
Tea	81
Bananas	70
Oilseeds and vegetable oils, essential and expressed	124
Cigarette leaf tobacco (Turkish types)	68
Crude rubber and allied gums	353
Raw silk	25
Wool, free coarse types and cashmere	122
Abaca, sisal, and other hard fibers	19
Other agricultural (spices, drugs, casein, goat and kid skins)	95
Nonagricultural, total	2,020
Jute and burlaps	95
Newsprint	657
Asbestos	60
Diamonds	193
Aluminum and bauxite	183
Nickel	207
Tin	121
Manganese and ferromanganese	161
Chrome and ferrochrome	70
Other metals	92
Other items chiefly supplied by imports	181
II. Principal commodities the supply of which is from United States production in considerable part, but of which substantial imports are necessary to supplement domestic production:	
Agricultural commodities, total	659
Cane sugar	458
Molasses	40
Maple sugar and syrup	4
Edible nuts (cashews, Brazil, pistachio, coconut meat—no United States production)	51
Apparel wool, excluding cashmere	88
Sheep and lamb skins	18
Nonagricultural commodities, total	1,255
Paper base stocks (wood pulp, pulpwood)	317
Iron ore	285
Copper	350
Lead	150
Zinc	163
III. Principal imports of goods in general classes for which most of domestic demand is supplied from United States production:[1]	
Agricultural, total	839
Cheese	26
Canned cooked hams, corned beef, and other meat products	184
Fruits, except bananas, and preparations (off season, tropical, specialties)	66
Vegetables and preparations (off season, specialties)	67
Wines	32
Grains and feedstuffs	111
Other agricultural	353
Nonagricultural, total	5,710
Whisky and other distilled spirits	166
Fish and shellfish	254
Leather and leather manufactures	86
Furs and manufactures (other than coney and caracul)	60
Textile-mill products, apparel, and other manufactures	653
Paper and paper board (except newsprint)	61
Sawmill products (except certain hardwoods) and wood manufactures	386
Petroleum and products	1,548
Clay and glass products	132
Iron and steel and manufactures	313
Machinery	424
Automobiles and parts	337
Aircraft and parts	53
Clocks, watches, and parts	75
Chemicals and related products (excluding certain fertilizers)	251
Other, including United States articles returned and other noncommercial	929

[1] In many of the categories listed, however, imports consist predominantly, or extensively, of specialties, distinctive types or grades, or off-season produce not fully competitive with domestic products of the same general classes.

Source: Prepared in the Department of Commerce by International Economic Analysis Division, Bureau of Foreign Commerce, from basic data of the Bureau of the Census, June 1958.

Senator MALONE. Could I ask for clarification?

I thought you meant what imports into our country now have no duty because we do not produce them commercially?

Wasn't that the indication of your first question?

Senator LONG. We might look at the duty question, but what I really had in mind is to look at the overall picture. I believe that this committee should know—and I should like to have the information available—the percent of articles that can be produced here that we also import. We are not a producer of coffee. It would be impractical to produce it.

Senator MALONE. You mean that cannot be produced here.

Senator LONG. I mean both what percentage of our imports can be produced in this country and what percentage cannot be produced here.

Of those articles that can be produced here, how does the overall importation of articles compare with the domestic production of those articles. I would hope that in making that comparison the sugar industry would be left out of the comparison of those articles that can be produced here because that is a special situation.

My guess is that of articles that we can produce in the United States, sugar would be about 2 percent of our domestic consumption.

I do not believe it would be a very high percentage on the overall.

Now that leads me to this question, Mr. Secretary. Do you think it is possible for Congress to so act or for you to so administer a program that no particular industry is injured severely while we expand imports at the same time?

Do you have some provision in this bill similar to the one you proposed 3 years ago when you said that we should be able to suspend the tariff on articles which are imported in no more than negligible quantities? Is that in the present bill before us?

Secretary DULLES. No.

Senator LONG. You brought that provision to us 3 years ago, but the Congress did not give it to you. It now seems to make a great deal of sense to me provided that we had some protection that would go into effect when the quantity of importation became more substantial.

Secretary DULLES. I understand, Senator, that we felt that that provision had only marginal value.

There was considerable opposition to it I think 3 years ago and we just dropped it this year.

Senator LONG. You would have no objection if the Congress saw fit to give you that recommendation 3 years after you advocated it?

Secretary DULLES. No.

Senator LONG. It has been my feeling, as I suggested Mr. Secretary, that in expanding foreign trade we ought to try to spread the burden of foreign competition. Fifty percent of our sugar is imported, but only 15 percent of our oil. Certain industries must compete against a great volume of foreign imports, while others have a high tariff wall and have no foreign competition at all.

It seems to me as though in the latter cases a small amount of foreign imports would be a healthy thing. It would help keep prices in line and give the consumer a greater variety of choice. I take it that you would largely tend to agree with that.

Secretary DULLES. I think you have got to think of these things from the standpoint of quite a number of facets that all these programs have, and there isn't any simple single formula that you could apply.

Senator LONG. I have tried to come up with one on occasion. I do not have the experts available to me that you have, but it has several times seemed to me that perhaps we could work out some formula that would exclude a tariff on imports up to about 1 or 2 percent of the domestic production of a commodity above this percent of the market a tariff would go into effect, rising to a slightly higher level at 5 percent and to a much higher level at 8 or 9 percent. I have never seen that sort of thing proposed by the administration.

I would hope, though, that some day we could find some way of spreading this burden rather than allowing some people to be faced with the danger of going out of business because of foreign imports while others are being well protected.

Secretary DULLES. Of course, that is the way really I think the peril-point clause is supposed to operate.

Senator LONG. Of course, as you know, even with the peril point provision there are many individual injuries which are not corrected.

Last time we held hearings on this matter I voted, I believe, pretty closely to the administration's position.

I received about 3,000 letters from the textile industry in Louisiana. This time I have not received any because these men are out of business. Louisiana has expanded enough in other industries, some of which are related to trade, for us to make this up and perhaps more than make it up, but it does seem to me that some industries do have the right to urge that we spread the burden of foreign competition.

I understand that our commitments with these foreign nations in many instances go directly against any quota limitations, or do we have the right to impose quotas pretty freely?

Secretary DULLES. The general provision that we have is against quotas with certain exceptions.

Senator LONG. That is the General Agreement on Tariffs and Trade.

Secretary DULLES. But the theory is that you do not propose quotas, yes.

Senator LONG. And therefore, you try to avoid quotas insofar as possible.

Secretary DULLES. That is correct.

Senator LONG. Mr. Secretary, as I understand it, you favor this multilateral arrangement and the favored-nation clause in preference to a bilateral arrangement. I sometimes wonder whether it is to our advantage to strip ourselves of power in international affairs that could perhaps be used to our advantage on occasion. Do I take it that you feel it is advantageous for us to enter these arrangements without getting any concessions from the foreign country? Other countries are able to benefit from our according them favored-nation treatment even though in some instances those countries act in ways that are very much against the interests of this country.

Do you feel that it is better for us under this Trade Act not to have any power to bring pressure to bear upon them if they nationalize American investments, or if they go very much contrary to our foreign policy?

Secretary DULLES. I believe as a practical matter it is extremely difficult to administer a tariff policy which is other than on a most-favored-nation basis.

You get into just inextricable quarrels and claims that you are favoring one as against another.

I think it is not possible really to operate on that basis.

It just is too complicated and involves too many hostilities, animosities, comparisons. I just do not think it is practical.

Senator LONG. Sugar, of course, has been a complete exception to that. We like to sell rice to Cuba, and Cuba sells the greatest portion of her sugar crop to us. She is very happy with that arrangement. She always wants to sell us more sugar, and we always want to sell her more rice. If she decides to cut us off from rice, we can always take this into consideration when the Sugar Act expires.

Secretary DULLES. There are a few cases, a few commodities perhaps where this works, and sugar is about the only one where we have found it practical to work on that basis.

Senator LONG. I know that you have urged that this should be a major segment of our foreign policy.

I know that you testified to this effect some years ago, and, if that is the case, why do we administer our foreign trade in such a way that we deprive ourselves of the leverage of using it to further our foreign policy?

In other words, it seems to me as though there would be a great number of cases where, if a country cared to nationalize our investments or to depart completely from the arrangements and the good faith agreements we had made with it over a period of years, there would certainly be a lot of things that we could do with our trade policy if we had the power to do them. I have never understood why we did not at least vest that power somewhere where it could be used.

Secretary DULLES. Of course, we are not without other weapons to use, you know.

We are not wholly without pressures to bring to bear without exerting them in this particular field.

Senator LONG. Mr. Secretary, when our people went over to the conference on the law of the sea, a conference I thought very important to us, quite a number of nations declined to give much consideration to defense problems and voted contrary to our position. They simply wanted to catch more fish or to have more territorial waters to claim for fishing purposes.

Secretary DULLES. That is right.

Senator LONG. Now in that case in many instances the market for their fish was right here in the United States. It would seem to me that the United States could have been more successful in achieving its goals if we had pointed out to those people that if they could not understand the defense problem that we could not be very sympathetic to their trade problems as far as the market for their fish was concerned. They might then have cooperated with us.

As it was, some of the very people who depend most on us for the market for their fish proceeded to fight the position of the United States in order to catch a few more fish. I guess the same thing would apply in many other respects, and I hope we do not see ourselves stripped of the power that we could use. Other countries make us accept their position demanding commercial concessions while we strip ourselves of power to act in a similar way toward them.

Secretary DULLES. I would say, Senator, that we have plenty of power in the world.

The question is whether you try to use this power in a coercive and threatening way or not, which raises some serious questions.

I believe that as the world is today, and given the relationships which we for our own sake need to establish with other countries, that it is not a good idea for us to go around just brandishing our power and saying, "If you do not do what we want in this respect, we are going to put you out of business."

Now I know what the answer to that will be. They will say, "Well, all right, we will tie up with the other fellow."

Senator LONG. Perhaps so, but, of course, there are many facets to the question. The point I have in mind is the question of how far you go.

Secretary DULLES. Yes.

Senator LONG. I recall a situation where, on some votes, even Mr. Syngman Rhee's South Korean government voted against us. Chiang Kai-shek's government voted against us on vital things. It seems to to me it was as much to their advantage to vote with us as against us.

I just wonder whether it is all to our advantage to put ourselves into a position where people who depend upon us for their defense can with impunity disregard our wishes in matters relating to our mutual security.

They can continue to get everything they want from us but they do not have to cooperate or help support our position.

Secretary DULLES. Those situations are distressing, but I believe, Senator, that we are better off to have association and free nations who feel that they cooperate or not according as they see it to their interests rather than try to develop satellites that we crack the whip over.

Now you may get some immediate advantages through cracking the whip but in the long run I think you accumulate more disadvantages and I just do not think that is the American way of doing it.

Senator LONG. You may describe it as cracking the whip. Mr. Secretary, but I have oftentimes seen the indications that the Golden Rule does not work as well as some of us would like to have it work. Now and then some people tend to advocate a different rule, "Do unto others as they do unto you." When other nations discriminate against us and treat us unfairly, it does seem to me that it might be to our advantage to have the authority, even if we never used it, to act in a similar fashion with regard to them.

I think sometimes they might treat us with greater consideration if we had that particular power.

Secretary DULLES. I think we are not lacking in power. It is not our policy to use our power in those ways except in extreme cases.

Senator LONG. I just question the advisability of passing a law so that you cannot use the power even if you think you should. You would not only not have the power but the other fellow would know that you did not have it.

That is the question that occurs to me.

Thank you very much, Mr. Secretary.

The CHAIRMAN. Senator Malone.

Senator MALONE. Mr. Secretary, this act has been extended 10 times, I think you testified.

Would you mind including in the record at this point the dates and the length of the extensions, that is, the length of time for which it was first passed as an emergency and then the dates of its extension together with the time of the extension.

Secretary DULLES. Can I supply that, Senator? I do not have it actually in my hand.

Senator MALONE. Yes, I understand.

(The information referred to follows:)

TRADE AGREEMENTS ACT, ENACTMENT AND EXTENSIONS

1. The original act authorized the President to enter into foreign trade agreements for a period of 3 years from June 12, 1934, the date of enactment of the act (48 Stat. 943).

2. The President's authority to enter into foreign trade agreements was extended by Public Resolution No. 10, 75th Congressional, for 3 years from June 12, 1937 (50 Stat. 24).

3. The President's authority to enter into foreign trade agreements was extended by Public Resolution No. 61, 76th Congress, for 3 years from June 12, 1940 (54 Stat. 107).

4. The President's authority to enter into foreign trade agreements was extended by Public Law 66, 78th Congress, for 2 years from June 12, 1943 (57 Stat. 125).

5. The President's authority to enter into foreign trade agreements was extended by Public Law 130, 79th Congress, for 3 years from June 12, 1945 (59 Stat. 410).

6. The President's authority to enter into foreign trade agreements was extended by Public Law 792, 80th Congress, from June 12, 1948, until the close of June 30, 1949 (62 Stat. 1053).

7. The President's authority to enter into foreign trade agreements was extended by Public Law 307, 81st Congress, (which repealed Public Law 792, 80th Cong.) for 3 years from June 12, 1948 (63 Stat. 697).

8. The President's authority to enter into foreign trade agreements was extended by Public Law 50, 82d Congress, for 2 years from June 12, 1951 (65 Stat. 72).

9. The President's authority to enter into foreign trade agreements was extended by Public Law 215, 83d Congress, for 1 year from June 12, 1953 (67 Stat. 472).

10. The President's authority to enter into foreign trade agreements was extended by Public Law 464, 83d Congress, for 1 year from June 12, 1954 (68 Stat. 360).

11. The President's authority to enter into foreign trade agreements was extended by Public Law 86, 84th Congress, (69 Stat. 162) until the close of June 30, 1958.

Senator MALONE. Such extensions have, however, been from 1 to 3 years, have they not?

Secretary DULLES. Yes, sir.

Senator MALONE. One year, I think, on three occasions.

Secretary DULLES. I think so.

Senator MALONE. Never more than three, and always an emergency.

Secretary DULLES. Yes, sir.

Senator MALONE. You have asked for 5 years?

Secretary DULLES. Yes, sir.

Senator MALONE. And a 25 percent further reduction in duties or tariffs.

Secretary DULLES. Yes.

Senator MALONE. And you do believe, I think from your testimony, that this act should be permanent?

Secretary DULLES. I believe that the concept that underlies the act is good as far as we can see. Now you can imagine a change of world conditions where it would not be valid anymore. I would hesitate to say that any particular thing is good for eternity because we are in a world of change.

But I do believe that given the world as it is today, that this is a sound principle on which to operate.

Senate MALONE. And should be permanent under the conditions as you understand them to be.

Secretary DULLES. So long as the conditions are permanent, yes.

Senator MALONE. I believe you testified on the matter of foreign aid, that that should become permanent, did you not?

Secretary DULLES. No, I do not think so.

Senator MALONE. I will have to locate the quotation.

Secretary DULLES. Yes.

Senator MALONE. But I am sure you gave that impression.

Secretary DULLES. I think I said that so long as the peril exists——

Senator MALONE. You may be correct—You have said so long as the emergency exists and the emergency seems to be permanent. It has lasted 24 years and shows no sign of being allowed to abate.

Secretary DULLES. All right.

Senator MALONE. It seems to have been assumed that the emergency is permanent.

Secretary DULLES. Thank you.

Senator MALONE. Does this bill, H. R. 12591, in any way approve the organization that has been referred to as GATT, the General Agreements on Tariffs and Trade?

Secretary DULLES. No, sir.

I think there is an express disclaimer of that.

Senator MALONE. The act has been before this committee several times and the Congress always included the disclaimer, so you have included it yourself this time, have you?

Secretary DULLES. The House put it in.

Senator MALONE. The House put it in. You did not include it?

Secretary DULLES. No, sir.

Senator MALONE. Were you Secretary of State when the International Trade Organization came before the Congress, or Assistant Secretary of State?

Secretary DULLES. I have never been Assistant Secretary of State.

Senator MALONE. What did they call you when you worked for Acheson?

Secretary DULLES. I worked as a consultant on the Japanese Treaty, if that is what you refer to.

Senator MALONE. And the Japanese Treaty is the extent to which you were ever consulted by him.

Secretary DULLES. Yes.

Senator MALONE. You wrote the Japanese Peace Treaty?

Secretary DULLES. I am generally considered to have played a leading part in that.

No one person does it all himself.

Senator MALONE. It was under your direction?

Secretary DULLES. That was my job, yes.

Senator MALONE. You know that the Japanese now are negotiating with Communist China for trade treaties?

Secretary DULLES. No, sir. They have broken off negotiation.

Senator MALONE. That is right, temporarily I think. There is no question of their future relationship—they will trade with China no matter who controls that great country.

They were in Peking to make a trade agreement, were they not?

Secretary DULLES. A trade agreement was negotiated by the business people of Japan, but its terms were not found acceptable from a political standpoint.

Senator MALONE. When the Japanese treaty was before the Senate for approval I made a statement on the future relationship between Japan and China—they of course will resume trade with China.

How many nations have recognized Communist China now?

Secretary DULLES. I do not have the precise figure. I would say approximately 25, something in that general order.

Senator MALONE. Does that include all of the European nations?

Secretary DULLES. No, sir.

Senator MALONE. How many?

Secretary DULLES. Are you talking about Western Europe or Eastern Europe?

Senator MALONE. All of Europe.

Secretary DULLES. All of the so-called Soviet bloc countries of Europe have recognized Communist China.

Senator MALONE. Then what you would call free Europe. How many of them have recognized Communist China? Name what you can remember and then you can complete the record.

Secretary DULLES. The United Kingdom has, Sweden has, I think Denmark has.

I would not want off hand, Senator——

Senator MALONE. Would you complete the record?

Secretary DULLES. Yes.

(The following was subsequently received for the record:)

RECOGNITION OF COMMUNIST CHINA

Twenty-six nations members of the United Nations and one other nation, Switzerland, recognize or have diplomatic relations with the Communist Chinese regime. In addition, four other Communist regimes (East Germany, North Korea, Outer Mongolia, and North Vietnam) recognize the Communist Chinese regime. The 27 nations recognizing Communist China are:

Afghanistan
Albania
Bulgaria
Burma
Ceylon
Czechoslovakia
Denmark
Finland
Hungary
India
Indonesia
Israel
Nepal
Netherlands
Norway
Pakistan
Poland
Rumania
Sweden
Switzerland
United Arab Republic
United Kingdom
U. S. S. R.:
    Byelorussia
    Ukraine
Yemen
Yugoslavia

There are, on the other hand, 42 members of the United Nations and 3 other nations (Republic of Korea, the Vatican and the Republic of Vietnam) which recognize or have diplomatic relations with the Government of the Republic of China.

In addition, the Federal Republic of Germany recognizes neither the Communist Chinese regime nor the Republic of China.

Senator MALONE. When Great Britain, England, recognized Communist China, did that include their member nations of the Empire?

Secretary DULLES. Some of them and some not.

Senator MALONE. Would you complete the record in that regard?

Secretary DULLES. Yes.

Senator MALONE. Now the ones that have recognized Communist China trade with Communist China, do they not?

Secretary DULLES. Yes, and some who do not recognize nevertheless trade.

Senator MALONE. Yes, I think that is exactly right. And, of course, it was proven through congressional hearings, that these nations also were trading with Russia with certain strategic materials like copper, were they not? England, for example?

Secretary DULLES. No, they are not trading in strategic goods.

Senator MALONE. Copper is strategic goods.

Secretary DULLES. We have a list of strategic goods.

My recollection is that copper so far has been kept on the strategic list, and that there is not trade in copper.

There is trade I believe in copper wire.

Senator MALONE. What is copper wire made out of? Copper?

Secretary DULLES. That is correct.

Senator MALONE. Once you have copper, no matter what form it is in you have copper; do you not?

Secretary DULLES. Yes.

Senator MALONE. For any purpose.

Secretary DULLES. You can always melt it down.

Senator MALONE. I will ask permission to have included in the record at this time a list of strategic and critical materials that is furnished by the armed services from time to time.

It appears on page 10 of the Senate Report 1627, 83d Congress.

Senator LONG. If that is already available, Senator Malone, that will be printed in the record.

Senator MALONE. At this point.

Senator LONG. Yes, the document to which you have referred with that page reference.

(The document referred to is as follows:)

List of Strategic and Critical Materials

Group I

Abrasive crude aluminum oxide, p. 48
Aluminum, p. 48
Antimony, pp. 43, 190
Asbestos, amosite, p. 47
Asbestos, chrysotile, p. 47
Asbestos, crocidolite, p. 47
Bauxite, metal grade, p. 48
Bauxite, refractory grade, p. 48
Beryl, p. 52
Bismuth, p. 53
Cadmium, p. 57
Celestite, p. 61
Chromite, chemical grade, pp. 61, 189
Chromite, metallurgical grade, pp. 61, 189
Chromite, refractory grade, pp. 61, 189
Cobalt, p. 67
Columbite, pp. 150–151
Copper, p. 72
Corundum, p. 78
Diamonds, industrial, p. 78
Fluorspar, acid grade, pp. 79, 229–234
Fluorspar, metallurgical grade, pp. 79, 229–234
Graphite, amorphorus lump, p. 85
Graphite, crucible grade, p. 85
Graphite, lubricant and packing grade, p. 85
Kyanite, p. 87
Lead, p. 88
Magnesium, p. 94
Manganese ore, battery grade, pp. 95, 188
Manganese ore, chemical grade, pp. 95, 188
Manganese ore, metallurgical grade, pp. 95, 188
Mercury, pp. 100, 186
Mica, muscovite block, good stained and better, p. 105
Mica, muscovite block, stained (radio tube quality), p. 105
Mica, muscovite film, p. 105
Mica, muscovite splittings, p. 105
Mica, phlogopite splittings, p. 105
Molybdenum, p. 107
Nickel, pp. 107, 150
Petroleum, pp. 234–250
Platinum group metals, iridium, p. 150
Platinum group metals, platinum, p. 150
Quartz crystals, p. 112
Rare earths, p. 112
Selenium, pp. 114, 150
Tin, p. 116
Titanium, pp. 121, 195–197, 199–212
Tungsten, pp. 123, 185
Vanadium, p. 129
Zinc, p. 130
Uranium, pp. 214–219
Thorium, p. 150

NONMINERALS

Bristles, hog, p. 142
Castor oil, p. 139
Coconut oil, p. 139
Cordage fibers, abaca, p. 138
Cordage fibers, sisal, p. 138
Cotton, extra long staple, pp. 141, 145
Feathers and down, waterfowl, p. 142
Hyoscine, p. 137
Iodine, p. 85
Jewel bearings, instrument jewel except vee jewels, pp. 86, 87
Jewel bearings, sapphire and ruby vee jewels, pp. 86, 87
Jewel bearings, watch and timing device jewels, pp. 86, 87
Opium, p. 137
Palm oil, p. 140
Pyrethrum, p. 137
Quinidine, p. 138
Quinine, p. 137
Rubber, crude natural, p. 140
Sapphire and ruby, pp. 86, 87
Shellac, p. 138
Silk, p. 141
Talc, steatite, block, facing p. 146
Sperm oil, p. 140
Vegetable tannin extract, chestnut, facing p. 146
Vegetable tannin extract, quebracho, facing p. 146
Vegetable tannin extract, wattle, facing p. 146

Group II

MINERALS

Bauxite, abrasive, p. 48
Cryolite, natural, p. 50
Graphite, crystalline fines, p. 85
Ilmenite, p. 108
Mica muscovite block, stained and lower, p. 105
Mica, phlogopite block, p. 105
Platinum group metals, osmium, facing p. 150
Platinum group metals, palladium, facing p. 150
Platinum group metals, rhodium, facing p. 150
Platinum group metals, ruthenium, facing p. 150
Rutile, p. 107
Zirconium ore, Baddeleyite, p. 136
Zirconium ore, zircon, p. 136

NONMINERALS

Agar, pp. 137, 141
Cotton, p. 141
Diamond dies, facing p. 146
Emetine, p. 137
Optical glass
Talc, steatite, ground, p. 115
Wool, pp. 141, 192

Senator MALONE. You will find copper very prominent on that list, Mr. Secretary, and the definition of it as a strategic or critical material, so designated since our domestic production does not equal our consumption and it is indispensable in an emergency.

Secretary DULLES. Yes.

Senator MALONE. That is the general definition; is it not?

Secretary DULLES. I believe so; yes.

Senator MALONE. On this list there are 77 such materials I believe grouped in group 1 and group 2. So that there will be no argument about what is strategic.

These nations do trade in many of these materials, do they not, with Communist China and, it has even been shown, with the Soviet bloc.

Secretary DULLES. They trade; yes, sir.

Senator MALONE. Mr. Secretary——

Secretary DULLES. If I may say so, of course the United States also trades with the Soviet bloc. There is no prohibition of trade with the Soviet bloc.

Senator MALONE. What does our trade consist of?

Do you have the list or could you furnish it?

Secretary DULLES. The Department of Commerce could furnish it; yes.

Senator MALONE. Could you get it and make it part of your testimony?

Secretary DULLES. Yes.

(The following material referred to was subsequently received for the record:)

27629—58—pt. 1——6

Chart 1

U. S. EXPORTS TO EASTERN EUROPE AND COMMUNIST CHINA

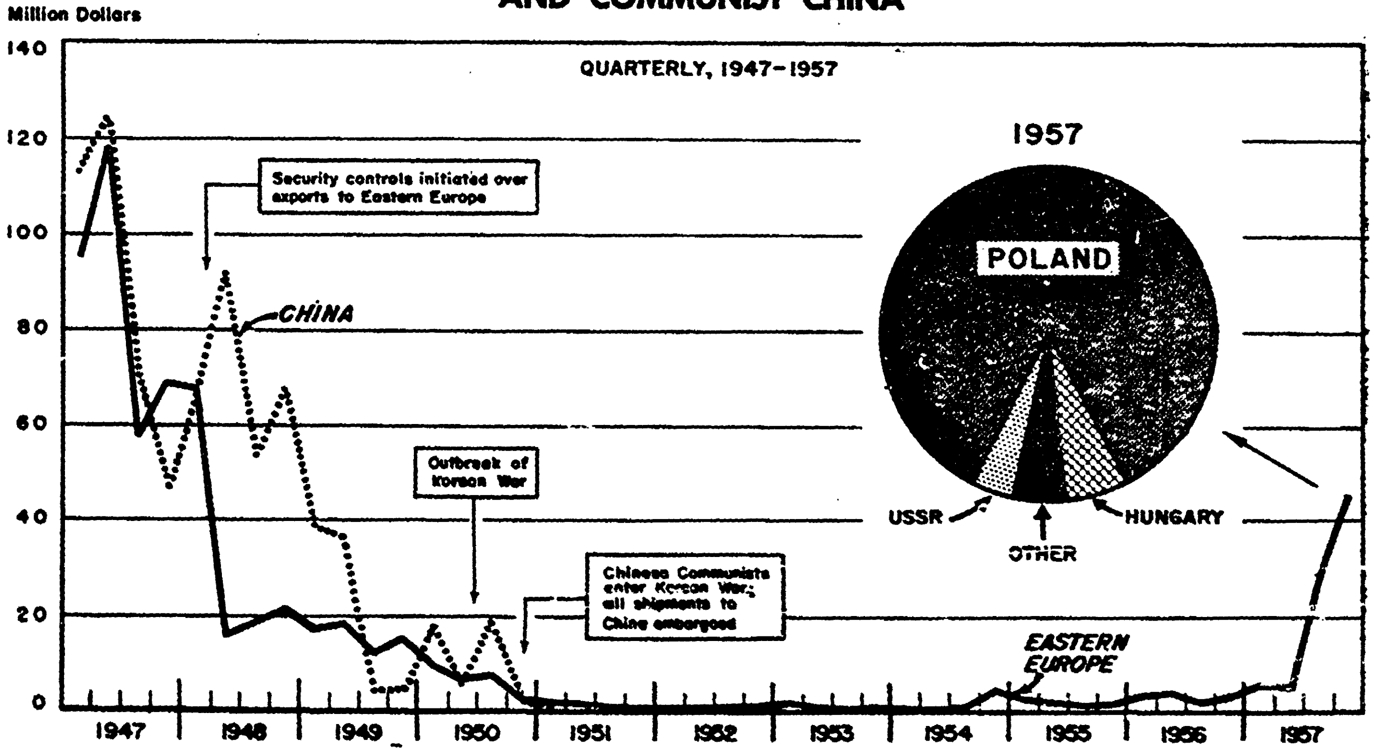


Table 8. United States Trade With Principal Countries of Eastern Europe, 1947, 1956, and 1957

[Thousands of dollars]

Commodity	1947	1956	1957
TRADE WITH CZECHOSLOVAKIA			
U. S. exports to Czechoslovakia, total	49,091	765	2,004
UNRRA[1]	14,496	....	....
Horsemeat	2,334	....	....
Meat, other, and meat products	600	....	....
Lard	2,879	....	....
Dairy products	236	....	....
Seed corn, except sweet seed corn	....	22	88
Wheat and wheat flour	2,129	....	....
Hides and skins, raw, except furs	220	....	17
Leather and manufactures	320	....	....
Furs and manufactures	760	....	....
Tallow, inedible	....	....	195
Pearl essence	....	72	52
Rubber and manufactures	4,116	128	136
Rosin and other naval stores	800	46	90
Vegetable oils and fats, inedible	1,637	....	279
Seeds, except oilseeds	981	83	13
Tobacco and manufactures	1,464	27	41
Hops	....	....	124
Cotton, unmanufactured	6,264	....	....
Pencil slats	116	177	88
Petroleum products	523	....	6
Abrasives	326	6	8
Carbon or graphite products	292	....	....
Iron and steel-mill products and advanced manufactures	179	....	....
Refined copper	1,066	....	....
Zinc, cast in slabs, pigs, or blocks	718	....	....
Metals and manufactures, other	487	15	2
Electrical machinery and apparatus	1,333	2	....
Industrial machinery	6,500	66	642
Office machinery	756	3	....
Agricultural machines, implements, tractors, and parts	1,296	23	1
Automobiles, trucks, buses, parts, and accessories	917	....	5
Coal-tar products	1,250	....	22
Medicinal and pharmaceutical preparations	674	11	6
Industrial chemicals	1,122	8	11
Chemical products, other	861	6	24
Scientific and professional instruments, apparatus, and supplies	730	1	10
Private relief shipments	2,167	95	82
All other domestic exports	2,413	40	100
Reexports	492	2	4
U. S. general imports from Czechoslovakia, total	23,210	5,900	7,911
U. S. imports for consumption from Czechoslovakia, total[2]	20,147	5,871	7,606
Canned cooked hams and shoulders and other prepared pork	....	771	580
Leather manufactures	193	9	15
Furs, undressed	279	55	75
Hats of fur or fur felt and other fur manufactures	146	199	159
Feathers, crude	313	67	254
Hops	2,910	....	....
Cotton manufactures	500	5	21
Jute burlaps	943	14	....
Flax, hemp, ramie, and manufactures	830	79	242
Wool manufactures	284	2	8
Hair of the angora rabbit	....	581	524
Textiles and textile manufactures, other	703	83	128
Wood manufactures	47	77	111
Glass and glass products	2,255	1,188	1,066
Clay and clay products	178	8	23
Montan wax	28	61	46
Imitation precious or semiprecious st[illegible]	4,591	1,296	1,420
Steel beams	....	66	123
Nonferrous metals, except precious metals	551	21	46
Jewelry, rosaries, and other metal accessories	792	2	1
Machinery	39	16	78
Automobiles, new, complete or chassis	4	5	277
Bicycles	(3)	316	148
Bicycle parts	104	65	55

See footnotes at end of table, p. 62.

Table 3. United States Trade With Principal Countries of Eastern Europe, 1947, 1956, and 1957—Continued

[Thousands of dollars]

Commodity	1947	1956	1957
TRADE WITH CZECHOSLOVAKIA—Continued			
Motorcycles	567	44	108
Benzene	....	154	1,046
Naphthalene	16	14	....
Chemicals and chemical products, other	101	47	35
Musical instruments, parts, and accessories	318	18	14
Books, maps, pictures, and other printed matter	136	118	173
Beads and fabrics and articles of beads	2,018	305	283
Buttons	418	1	4
All other imports	713	[4] 201	[4] 442
TRADE WITH EAST GERMANY			
U. S. exports to East Germany, total	([2])	441	266
Cattle hides, wet	....	....	7
Furs, undressed	....	9	16
Alfalfa seed	....	....	71
Tobacco and manufactures	....	167	168
Cotton, unmanufactured	....	27	....
Paraffin wax	....	....	2
Parts for printing and typesetting machinery	....	14	....
Fertilizer and fertilizer materials	....	222	....
All other exports	....	2	1
U. S. general imports from East Germany, total	([2])	5,455	4,881
U. S. imports for consumption from East Germany, total [3]	([2])	5,659	4,907
Synthetic rubber	....	4	....
Artificial fruits and flowers	....	296	406
Glass and glass products	....	108	85
Clay and clay products	....	89	141
Montan wax	....	136	84
Typewriters	....	406	315
Machinery, other	....	122	226
Printing presses	....	6	188
Benzene	....	65	....
Cresols and cresylic acid, crude	....	....	46
Industrial chemicals	....	38	121
Fertilizers and fertilizer materials	....	1,444	1,436
Photographic goods	....	2,098	1,165
Musical instruments, parts, and accessories	....	191	146
Artworks and antiques	....	168	264
All other imports	....	[4] 327	[4] 316
TRADE WITH HUNGARY			
U. S. exports to Hungary, total	12,859	2,006	5,320
UNRRA [1]	266	....	....
Dairy products	589	....	2,385
Seed corn, except sweet seed corn	....	21	....
Wheat and wheat flour	1,045	[6] 716	....
Hides and skins, raw, except furs	26	286	13
Leather and manufactures	298	....	....
Tallow, inedible	....	665	908
Rubber and manufactures	114	76	2
Seeds, except oilseeds	647	....	....
Tobacco and manufactures	443	....	....
Textile products	230	....	41
Bituminous coal	....	....	1,669
Petroleum products	140	....	....
Carbon or graphite products	102	....	....
Refined copper	207	....	....
Metals and manufactures, other	91	....	....
Industrial machinery	300	8	1
Automobiles, trucks, buses, parts, and accessories	227	3	....
Machinery and vehicles, other	181	17	1
Coal-tar products	506	....	....
Medicinal and pharmaceutical preparations	238	....	[7] 194
Industrial chemicals	180	....	....
Photographic and projection goods	98	....	24
Private relief shipments	6,669	208	48
All other domestic exports	398	5	30
Reexports	130	2	4

See footnotes at end of table, p. 62.

Table 3. United States Trade With Principal Countries of Eastern Europe, 1947, 1956, and 1957—Continued

[Thousands of dollars]

Commodity	1947	1956	1957
TRADE WITH HUNGARY—Continued			
U. S. general imports from Hungary, total	1,501	1,102	729
U. S. imports for consumption from Hungary, total [3]	1,472	1,237	726
Birds, including poultry, prepared or preserved	45	2	4
Paprika	109	27	9
Wines and other beverages	15	41	49
Furs, undressed	103	10	....
Feathers, crude	837	287	183
Drugs, herbs, leaves, and roots	22	25	20
Clover, vetch, and other seeds, except oilseeds	27	80	144
Brooms	....	34	26
Cotton manufactures	13	34	14
Jute burlap	....	368	5
Textile products, other	8	2	12
Baskets and bags of willow or osier	(1)	82	36
Glass and glass products	21	63	24
Clay and clay products	4	30	32
Books, maps, and other printed matter	68	125	184
Artworks and antiques	9	21	80
All other imports	191	[4] 66	[4] 54
TRADE WITH POLAND AND DANZIG			
U. S. exports to Poland and Danzig, total	107,705	3,715	73,218
UNRRA [1]	43,258	....	....
Horsemeat	3,110	....	....
Lard	3,253	....	....
Dairy products	2,030	....	(1)
Corn, except seed }	3,475	{ 173	....
Seed corn, except sweet seed corn }			....
Wheat	6,192	....	28,279
Wheat flour	12,822	....	....
Grains and preparations, other	1,316	....	....
Soybean flour, edible	758	....	....
Peanuts, shelled	2,524	....	....
Oleomargarine and other edible vegetable fats and oils	2,134	....	(1)
Foodstuffs, other	758	2	1
Hides and skins, raw, except furs	431	....	36
Leather and manufactures	1,394	....	1
Tallow, inedible	....	1,344	6,061
Live horses, except for breeding	1,463	....	....
Rubber and manufactures	2,523	....	109
Soybeans, except canned or prepared	....	....	4,237
Vegetable oils and fats, inedible	3,898	....	311
Seeds, except oilseeds	685	42	165
Tobacco and manufactures	142	214	349
Cotton, unmanufactured	9,317	218	23,321
Wool rags and used clothing	[5] 775	1,554	2,012
Synthetic fibers	14	1	125
Bituminous coal	....	....	807
Petroleum products	652	....	....
Steel sheets, black, ungalvanized, cold rolled	....	....	4,794
Iron and steel advanced manufactures	663	....	1
Refined copper	1,119	....	....
Metals and manufactures, other	881	....	23
Electrical machinery and apparatus	4,627	11	15
Industrial machinery	16,891	9	14
Agricultural machines, implements, tractors, and parts	3,450	....	5
Automobiles, trucks, buses, parts, and accessories	952	6	59
Merchant vessels	1,050	....	....
Machinery and vehicles, other	459	38	15
Medicinal and pharmaceutical preparations	1,028	11	7
Fertilizers and fertilizer materials	570	....	....
Soap and toilet preparations	772	....	....
Chemicals and related products, other	995	3	20
Scientific and professional instruments, apparatus, and supplies	1,697	....	10
Private relief shipments	9,048	20	2,062
All other domestic exports	2,283	66	201
Reexports	1,549	18	[6] 158

See footnotes at end of table, p. 63.

Table 3. United States Trade With Principal Countries of Eastern Europe, 1947, 1956, and 1957—Continued

[Thousands of dollars]

Commodity	1947	1956	1957
TRADE WITH POLAND AND DANZIG—Continued			
U. S. general imports from Poland and Danzig, total	1,335	27,402	29,993
U. S. imports for consumption from Poland and Danzig, total [3]	1,312	28,064	29,596
Canned cooked hams and shoulders	....	17,870	20,652
Prepared pork, other	....	1,756	1,826
Mushrooms, dried	([2])	42	44
Beverages	....	3	53
Hides and skins, raw, except furs	....	167	185
Furs undressed	63	....	12
Bristles	11	314	284
Feathers, crude	61	502	246
Casein or lactarene	....	....	66
Poppy seed	....	335	306
Flax, hemp, ramie, and manufactures	([2])	122	95
Baskets and bags	45	143	131
Newsprint	279	....	10
Cylinder, crown, and sheet glass	....	457	41
Christmas tree ornaments	([2])	684	462
Glass products, other	50	69	139
Clay and clay products	46	....	....
Pig iron	484	....	....
Wire nails, over 65/1000 inch in diameter	....	120	148
Aluminum scrap	....	40	126
Benzene	....	4,512	3,815
Naphthalene	....	477	246
Chemicals and related products, other	27	42	110
Dolls and parts	([2])	116	126
Books, maps, pictures, and other printed matter	53	14	88
All other imports	193	[4] 179	[4] 295
TRADE WITH RUMANIA			
U. S. exports to Rumania, total	15,079	464	966
UNRRA [1]	....	....	....
Dairy products	610	....	....
Corn, except seed	8,420	....	....
Seed corn, except sweet seed corn		207	603
Wheat	21	....	22
Grains and preparations, other	606	....	7
Foodstuffs, other	147	....	1
Cattle hides, wet	....	....	37
Tallow, inedible	....	....	21
Rubber and manufactures	97	1	....
Seeds, except oilseeds	133	....	1
Iron and steel-mill products	65	....	....
Iron and steel advanced manufactures	71	....	4
Metals and manufactures, other	44	....	....
Conveying equipment and parts	....	....	55
Industrial machines and parts, other	18	....	63
Agricultural machines, implements, tractors, and parts	([2])	211	88
Automobiles, trucks, buses, parts, and accessories	673	7	....
Medicinal and pharmaceutical preparations	231	3	64
Chemicals and related products, other	73	17	....
Private relief shipments	3,465	....	....
All other domestic exports	309	18	48
Reexports	4	....	2
U. S. general imports from Rumania, total	436	377	474
U. S. imports for consumption from Rumania, total [3]	440	371	455
Sturgeon and sturgeon roe, cooked or frozen	....	71	27
Mushrooms, dried	....	20	26
Walnuts, shelled	....	45	90
Spices	....	66	131
Furs, undressed	276	21	36
Bristles	....	1	....
Feathers, crude	84	21	54
Cylinder, crown, and sheet glass	....	92	([2])
Stamps	12	14	66
All other imports	66	[4] 20	[4] 25

See footnotes at end of table, p. 62.

Table 3. United States Trade With Principal Countries of Eastern Europe, 1947, 1956, and 1957—Continued

[Thousands of dollars]

Commodity	1947	1956	1957
TRADE WITH THE U.S.S.R.			
U. S. exports to the U. S. S. R., total	149,009	3,819	3,504
UNRRA [1]	82,073	....	....
Meat, canned	3,129	....	....
Dairy products	479	....	....
Seed corn, except sweet seed corn	....	1,157	....
Hides and skins, raw, except furs	....	....	332
Tallow, inedible	....	....	2,068
Rubber and manufactures	427	13	13
Naval stores, gums, and resins	388	....	....
Tobacco and manufactures	1,165	....	....
Cordage and twine, sisal and sunn	1,343	....	....
Wool noils and waste	400	....	....
Textile products, other	477	3	1
Paper, thin, except cigarette paper	....	....	27
Petroleum products	3,514	....	....
Abrasives	297	....	....
Carbon or graphite products	639	....	1
Crude sulfur	341	....	....
Iron and steel-mill products	15,259	360	....
Iron and steel advanced manufactures	942	3	13
Copper and manufactures	496	....	....
Metals and manufactures, other	274	....	....
Electrical machinery and apparatus	19,850	92	54
Industrial machinery	80,911	1,015	319
Agricultural machines, implements, tractors, and parts	2,666	821	186
Automobiles, trucks, buses, parts, and accessories	1,824	35	11
Aircraft, parts, and accessories	421	....	....
Merchant vessels	1,241	....	....
Freight cars over 10-ton capacity	1,843	....	....
Coal-tar products	49	....	230
Industrial chemicals	165	....	49
Soap and toilet preparations	1,210	....	....
Scientific and professional instruments, apparatus, and supplies	3,039	89	45
Private relief shipments	2,174	29	43
Household and personal effects	1,038	(10)	(10)
All other domestic exports	2,693	200	117
Reexports	375	3	45
U. S. general imports from the U. S. S. R., total	77,102	24,443	16,512
U. S. imports for consumption from the U. S. S. R., total [2]	72,152	24,583	16,516
Sausage casings	853	69	490
Sturgeon and other fish roe	520	289	370
Furs, undressed	41,540	7,836	5,636
Furs, dressed, and fur manufactures	684	40	35
Bristles	380	507	180
Licorice root	342	408	487
Essential or distilled oils	73	67	111
Tobacco, unmanufactured	1,916	....	....
Cotton linters	1,937	892	601
Cotton waste	889	181	119
Wool, unmanufactured	730	....	....
Animal hair, unmanufactured	448	327	142
Silk noils and waste	9	82	95
Diamonds, cut but not set	708	....	....
Manganese ore	6,899	....	....
Chrome ore or chromite	8,956	....	....
Platinum group metals	3,232	3,401	951
Benzene	....	10,532	6,299
Naphthalene	....	74	635
Pyridine	....	2	74
Stamps	55	32	167
All other imports	1,971	[4] 359	[4] 174

[1] UNRRA shipments are included in commodity data for 1947 exports.
[2] Commodity data are reported on the basis of imports for consumption.
[3] Less than $500.
[4] Includes an estimate of low-value shipments (under $250 each).
[5] East Germany not reported separately prior to 1952.
[6] Shipments under the President's program for relief of distress caused by severe winter weather conditions in Eastern Europe.
[7] Poliomyelitis vaccine.
[8] Wool rags only.
[9] Mainly wool rags.
[10] Not included in export statistics for 1956 and 1957.

United States Licensing and Exports of All Grades of Iron and Steel Scrap (excluding Canada) (in tons)

Country	*Licensing, 1958 through March*	*Exports, 1958 through March*
Mexico	217,707	78,871
Argentina	----------	----------
Japan	55,543	128,115
United Kingdom	----------	----------
European Coal and Steel Community	804,574	502,008
Austria	11,282	19,667
Spain	22,760	10,661
Other	3,950	641
Total	1,115,816	739,963

Table B.—United States Exports to and Imports From Countries of Eastern Europe and the Soviet Bloc in Asia, 1947, 1950, and 1952–57

[Thousands of dollars]

Country	1947	1950	1952	1953	1954	1955	1956	1957
	Exports, including reexports [1]							
Soviet bloc countries, total	693,461	72,109	1,096	1,776	6,126	7,048	11,233	86,263
Eastern European countries [2]	339,857	26,759	1,096	1,776	6,120	7,046	11,233	86,254
Albania	4,656	169	(3)	2	------	------	------	------
Bulgaria	1,471	857	24	5	5	126	24	(3)
Czechoslovakia	49,094	10,532	75	40	1,005	2,177	765	2,004
East Germany	(2)	(2)	622	1,079	765	407	441	266
Estonia	8	------	------	------	------	------	------	------
Hungary	12,859	3,476	69	2	2,476	788	2,006	5,320
Latvia	------	------	------	------	------	------	------	977
Lithuania	16	------	------	------	------	------	------	------
Poland and Danzig	107,705	8,964	286	622	1,568	3,103	3,715	73,218
Rumania	15,079	2,009	------	7	66	191	464	966
U. S. S. R.	149,069	752	19	19	216	252	3,819	3,504
Countries in Asia [4]	353,604	45,350	------	------	[5] 6	[5] 2	------	[5] 9
China including Manchuria	353,604	45,350	------	------	[5] 6	[5] 2	------	[5] 9
Outer Mongolia			------	------	------	------	------	------
North Korea	(4)	(4)	------	------	------	------	------	------
	General imports							
Soviet bloc countries, total	224,947	227,081	67,311	46,127	49,425	65,655	72,730	65,626
Eastern European countries [2]	108,242	80,584	39,586	36,437	42,408	55,805	65,428	61,332
Albania	8	43	52	65	8	80	193	106
Bulgaria	4,651	2,348	275	353	311	402	436	459
Czechoslovakia	23,210	26,606	1,477	2,262	3,074	3,823	5,960	7,911
East Germany	(2)	(2)	7,118	6,583	3,794	5,452	5,455	4,881
Estonia	(3)	(3)	------	------	------	------	------	2
Hungary	1,591	1,865	2,913	1,717	1,339	2,017	1,162	729
Latvia	------	------	------	------	------	------	------	263
Lithuania	(3)	2	1	------	1	5	------	3
Poland and Danzig	1,335	11,136	10,247	14,295	21,570	26,622	27,402	29,993
Rumania	435	287	683	372	382	270	377	474
U. S. S. R.	77,102	38,296	16,818	10,791	11,928	17,134	24,443	16,512
Countries in Asia [4]	116,705	146,497	27,725	9,690	7,017	9,850	7,302	4,294
China including Manchuria	116,705	146,497	[6] 24,606	611	168	195	223	109
Outer Mongolia			[7] 3,120	9,080	6,849	9,656	7,078	4,185
North Korea	(4)	(4)	------	------	------	------	(3)	------

[1] Exports exclude "special category" classes.
[2] Data for 1947 and 1950 exclude trade with East Germany which was not reported separately prior to January 1952.
[3] Less than $500.
[4] Data for 1947 and 1950 exclude trade with North Korea which was not reported separately prior to January 1952.
[5] Figures shown include printed matter under general license and shipments to diplomatic missions of friendly foreign countries.
[6] Adjusted to exclude Outer Mongolian products.
[7] Partly estimated total of Outer Mongolian products, originally reported with data for China.

Footnotes continued on top of p. 64.

Footnotes continued from p. 63.

NOTE.—Exports are shown by country of destination. Imports are credited to the country in which the merchandise was originally produced, not necessarily the country from which purchases and shipments were made. General imports represent merchandise entered immediately upon arrival into merchandising or consumption channels plus commodities entered into bonded customs warehouses for storage.

United States exports to North Korea were embargoed July 1950, and those to Communist China, Manchuria, and Outer Mongolia were embargoed the following December. On March 1, 1951, general export licenses to Eastern European countries were revoked and the requirement of prior approval by license was extended to cover all exports to this area. Imports from North Korea and Communist China, including Manchuria, were placed under license control December 17, 1950, by Foreign Assets Control Regulations of the Treasury Department. Pursuant to the Trade Agreement Extension Act of 1951, benefits of trade agreement tariff concessions were withdrawn from the U. S. S. R. and its satellites and an embargo was imposed on the importation of certain furs from China and the U. S. S. R.

Controls over imports of Chinese merchandise are exercised by the Treasury Department under Foreign Assets Control Regulations issued Dec. 17, 1950. Under these regulations the importation of Chinese goods is prohibited without license by the Treasury Department, and it is against the present policy of that agency to license such imports. Some items of Chinese origin, however, continue to appear in the statistical records of United States imports. For example, dutiable Chinese merchandise brought into the United States and stored in bonded customs warehouses prior to the effective date of the import control regulations is counted in import for consumption statistics at the time of withdrawal from warehouse. Duty-free merchandise permitted entry for customs inspection but subsequently rejected when determined to be of Chinese origin, may also be counted in the statistics. In addition, the figures may include imports licensed to avoid undue hardship to firms and individuals who acquired the Chinese merchandise in good faith and imports, from third countries, of Chinese products in which all Chinese interests had ceased by Dec. 17, 1950. In United States import statistics goods of Chinese origin are credited to China regardless of the country from which they came.

Table C.—United States Exports to Eastern Europe by Principal Commodities, 1956 and 1957

[Value in thousands of dollars]

Commodity	Total Eastern Europe		Eastern Europe excluding U. S. S. R.		U. S. S. R.	
	1956	1957	1956	1957	1956	1957
Total	11,233	86,254	7,414	81,773	3,819	[1] 4,481
Domestic exports						
Dairy products		2,385		2,385		
Seed corn, except sweet seed corn	1,580	641	423	641	1,157	
Wheat	716	28,301	716	28,301		
Hides and skins, raw, except fur	285	800	285	110		690
Tallow, inedible	2,009	9,872	2,009	7,185		2,687
Rubber, synthetic	201	239	201	239		
Soybeans		4,248		4,248		
Soybean oil, crude, inedible		590		590		
Seeds, except oilseeds	151	255	75	255	76	
Tobacco and manufactures	409	561	409	561		
Hops		124		124		
Cotton, unmanufactured	242	23,321	240	23,321	2	
Wool rags and used clothing of wool	1,554	2,012	1,554	2,012		
Synthetic fibers and manufactures	1	126	1	125		1
Pencil slats	184	88	184	88		
Coal, bituminous		2,476		2,476		
Iron and steel-mill products	360	4,818		4,818	360	
Machinery, industrial	1,092	1,093	77	774	1,015	319
Machinery, agricultural, and tractors	1,085	181	264	45	821	136
Drugs and preparations	12	275	11	271	1	4
Coal-tar products		252		22		230
Phosphate rock	222		222			
Scientific and professional instruments, apparatus, and supplies	95	59	6	14	89	45
Private relief shipments	352	2,285	323	2,242	29	43
All other domestic exports	659	1,044	392	763	267	281
Reexports						
Wool rags	18	154	18	154		
Reexports, other	6	59	4	14	2	45

[1] Adjusted to include exports to Latvia valued at $977,000 consisting of raw hides and skins, except fur, valued at $358,000 and inedible tallow, $619,000. There were no exports to Latvia, Estonia, or Lithuania in 1956, nor to Estonia or Lithuania in 1957.

Table D.—United States Imports From Eastern Europe by Principal Commodities, 1956 and 1957

[Thousands of dollars]

Commodity	Total Eastern Europe		Eastern Europe excluding U. S. S. R.		U. S. S. R.	
	1956	1957	1956	1957	1956	1957
General imports, total	65,428	61,332	40,985	44,552	24,443	[1] 16,780
Imports for consumption, total [2]	66,413	60,541	41,830	43,757	24,583	[1] 16,784
Meat and sausage casings	20,470	23,554	20,401	23,064	69	490
Fish and fish products, except shellfish	300	405	71	32	289	373
Spices	232	280	228	280	4	....
Furs, undressed	7,492	5,805	166	169	7,326	5,636
Feathers, crude	968	696	968	687	....	9
Bristles	827	366	320	236	507	130
Licorice root	403	487	....	....	403	487
Oilseeds	338	396	338	396	....	....
Rose oil	265	187	265	187	....	....
Cotton linters	892	601	....	....	892	601
Cotton waste	181	119	....	....	181	119
Jute burlaps	419	5	419	5	....	....
Flax, hemp, ramie, and manufactures	209	354	202	337	7	17
Wool and fine animal hair, unmanufactured	581	524	581	524	....	....
Hair, other, and manufactures	343	170	16	28	327	142
Artificial fruits and flowers	420	508	420	508	....	....
Textiles and textile manufactures, other	191	180	92	81	99	99
Glass and glass products	2,749	1,859	2,721	1,859	28	(³)
Imitation precious and semiprecious stones	1,292	1,420	1,292	1,420	....	....
Steel-mill products	186	294	186	293	(³)	1
Platinum group metals	3,401	951	....	....	3,401	951
Typewriters	506	334	506	334	....	....
Vehicles, except agricultural	447	694	447	689	....	5
Benzene	15,293	11,160	4,761	4,861	10,532	6,299
Naphthalene	565	881	491	246	74	635
Fertilizers and fertilizer materials	1,463	1,760	1,459	1,498	4	262
Photographic goods	2,115	1,220	2,101	1,207	14	13
Musical instruments, parts, and accessories	213	163	210	160	3	3
Books, maps, and other printed matter	354	699	283	484	71	215
Artwork and antiques	198	320	192	307	6	13
Beads and beaded fabrics and articles	302	233	302	283	....	....
All other imports	2,738	3,806	2,392	3,582	346	284

[1] Adjusted to include imports from Estonia, Latvia, and Lithuania valued at $268,000 consisting of fertilizers and fertilizer materials, $262,000; vehicles, except agricultural, $2,000; and other imports, $4,000.
[2] Commodity data are reported on the basis of imports for consumption.
[3] Less than $500.

Senator MALONE. The reason I ask for that is that we have made quite a play that we do not trade in strategic and critical materials with the Soviet bloc, or so that such materials will be available to the Soviet bloc, have we not?

Secretary DULLES. There is a common list that is agreed upon by an interallied group in Paris of strategic materials and none of us trade in those.

Senator MALONE. In 1955 I was in Paris, I was in Geneva, spent 2½ months behind the Iron Curtain, and I have information for you. I had a list of those materials and many countries were trading in those materials.

I do not know whether your Secret Service organization knew it or not. I hope they did. I was in Austria and anything that was shipped to Austria went on through if Russia really wanted it.

Now Mr. Secretary, you are familiar with the International Trade Organization (ITO) bill that was supplied Congress and which the State Department was very insistent on Congress passing.

I guess it was before your time, but you are familiar with it.

Secretary DULLES. Yes.

Senator MALONE. And Congress would not approve it.

Then are you familiar—and you must be—with the International Trade Organization and the Office of Trade Cooperation. You are familiar with the OTC; are you not?

Secretary DULLES. Yes, sir.

Senator MALONE. Did you not propose it when you were Secretary of State?

Secretary DULLES. I recall having supported it, yes.

Senator MALONE. It came from your Department; did it not?

Secretary DULLES. No. It came from the Government generally. I think the President transmitted the request.

Senator MALONE. Did the President confer with you before the bill came up here?

Secretary DULLES. He conferred with the Cabinet generally, yes.

Senator MALONE. In this foreign trade bill perennially before Congress you are the dominant figure in such consultations; are you not?

Secretary DULLES. No, sir.

Senator MALONE. I am glad to hear that. The press makes such awkward mistakes.

Secretary DULLES. You say you are glad to hear it?

Senator MALONE. Yes; but the publicity refutes such a statement when such bills are proposed to Congress.

Anyway, Congress refused to pass it.

Secretary DULLES. No, sir.

Senator MALONE. And if they had accepted the OTC or ITO, what would it have done as far as the General Agreement on Tariffs and Trade is concerned?

What would have been the effect?

Secretary DULLES. The effect of the OTC would have been to create machinery which would have policed more effectively our multilateral trade agreements.

Senator MALONE. That was almost exactly like the International Trade Organization, was it not?

Secretary DULLES. I do not think it was, but I am not particularly familiar with the ITO.

Senator MALONE. In any case, either one of those acts would have approved the organization of GATT under which they are operating now in Geneva, 36 foreign competitive nations, with our Nation making 37, would it not?

Secretary DULLES. I think it would have; yes.

Senator MALONE. Aren't you sure of it?

Secretary DULLES. I'm sorry, I do not recall the legislation sufficiently.

Senator MALONE. Maybe your assistant would know. You pressed the legislation hard enough before this committee to remember it.

Secretary DULLES. I think you have got it the wrong way around, Senator.

Senator MALONE. Explain it.

Secretary DULLES. Yes, sir. We have these agreements, these trade agreements, general agreements on tariffs and trade. These agreements provide certain trade rules. The OTC would not have approved that. It was set up to carry out GATT.

In other words, it is the child and not the parent, you might say.

Senator MALONE. But, in any case, the operation in Geneva, a method under which to make multilateral trade agreements were made, would have been approved and made effective if OTC had been approved by Congress.

Secretary DULLES. The OTC would have been set up to carry out more effectively what is already agreed to in the General Agreement on Tariffs and Trade.

Senator MALONE. In other words, the Congress then would have approved what you are doing in Geneva through OTC?

Secretary DULLES. No.

Senator MALONE. Explain it.

Secretary DULLES. Congress authorizes a general agreement.

Senator MALONE. Did they?

Secretary DULLES. If Congress had approved of the OTC, it would have set up an arrangement to administer and police the general agreement.

Senator MALONE. But they are approving the agreements.

Secretary DULLES. No, sir.

Senator MALONE. Didn't you just say, or did I misunderstand you, that the Congress had approved the agreements or GATT. You did not say that; did you?

Secretary DULLES. No.

Senator MALONE. I misunderstood you and I am glad that I did.

Secretary DULLES. Yes.

Senator MALONE. Because Congress has refused to approve the GATT organization, the General Agreement on Tariffs and Trade, every time it has been presented; haven't they?

Secretary DULLES. It is not explicitly approved; no.

Senator MALONE. It has not approved it at all; has it?

Secretary DULLES. It has never been asked to approve it.

Senator MALONE. Except in a round-about way through international trade organizations.

Secretary DULLES. That is where you and I differ.

You say the OTC was designed to approve of the General——

Senator MALONE. Just what could you have done in Geneva if Congress had approved the OTC?

Secretary DULLES. If Congress had approved the OTC it would have approved a mechanism for carrying out the agreement.

Senator MALONE. When you were supporting OTC, as I remember your testimony, you said that you were doing your job under the General Agreement on Tariffs and Trade in Geneva under the general authority of the 1934 Trade Agreements Act as extended.

Secretary DULLES. Yes.

Senator MALONE. You said that; did you not?

Secretary DULLES. Yes; I believe so.

Senator MALONE. And you were going to continue to do that whether or not we approved OTC. You testified to that.

Secretary DULLES. Yes.

Senator MALONE. You are then conducting the whole operation under the 1934 Trade Agreements Act. In this basic general agreement then signed at Geneva on October 30, 1947, article 31 of the General Agreement on Tariffs and Trade (GATT) provided that any contracting party may withdraw from the agreement on or after January 1, 1951, upon 6 months' notice.

The United States can withdraw and cancel all multilateral trade agreements upon 60 days' notice.

Article 26 of the agreement provides for the definitive entry into force thereof under specified conditions.

The agreement, however, was never entered definitively into force. This is a letter from the Tariff Commission:

> It has been applied by the United States since January 1, 1948, pursuant to the protocol of provisional application of the General Agreement on Tariffs and Trade signed at Geneva, Switzerland, on October 30, 1947, the same date which the general agreement itself was signed.

Paragraph 5 of the protocol, the provisional application, provides that—

> Any government applying this protocol shall be free to withdraw such application.
>
> Such withdrawal shall take effect on the expiration of 60 days from the day on which written notice of such withdrawal is received by the Secretary General of the United Nations.

All of the products then revert to the Tariff Commission, an agent of Congress, upon the expiration of 60 days. Tariffs upon such products thereafter to be regulated under section 336 of the 1930 Tariff Code.

I understood you to testify earlier that it required 6 months.

Secretary DULLES. It was my recollection that the withdrawal clause required 6 months' notice. If I am wrong in that——

Senator MALONE. I wish you would check it for the record. Sixty days' notice is all that is required and the products so covered revert to the Tariff Commission on the statutory rate.

Secretary DULLES. Yes. I noticed from what you read there there was a reference to a 6 months' withdrawal notice.

Senator MALONE. The definitive entry into force thereof under specified conditions never was really approved under conditions that would have made it effective for the 6 months' withdrawal.

You may answer it in your own way.

Secretary DULLES. Yes.

Senator MALONE. Now this is a letter from the Tariff Commission dated March 4, 1958, which I will later include in the transcript.

A first letter of January 29 from the Tariff Commission was not entirely clear to me. That is the reason I asked for the second letter as to why 2 months' notice would do the job. Both these letters are signed by Edgar B. Brossard, Chairman of the Tariff Commission.

This is what he says in regard to the withdrawal:

> Any contracting party to the General Agreement on Tariffs and Trade (GATT), including the United States, in accordance with the terms of the protocol provisional application of the General Agreements on Tariffs and Trade—

which he later explained further in the second letter—

> is free to withdraw from the agreement upon the expiration of 60 days after notice of such withdrawal is received by the Secretary General of the United Nations.

This whole operation is in Geneva, Switzerland.

Do you agree that that is correct?

Secretary Dulles. Yes, sir.

Senator MALONE. That is correct.

Secretary DULLES. Yes.

Senator MALONE. All of your advisers agree.

Now then, these multilateral trade agreements are made in Geneva. Is that the only place they are made, the multilateral trade agreements?

Secretary DULLES. I believe it is customary to negotiate them at Geneva; yes, sir.

Senator MALONE. That is they might hold a meeting somewhere besides Geneva.

What I really meant, it is made by that organization set up by GATT, which was organized in 1947 by the President of the United States through the State Department, and made effective by transfer to Geneva. Now wherever they held their meeting then, at least that organization makes a multilateral trade agreement.

Secretary DULLES. No. We send special delegations to negotiate these major agreements.

Senator MALONE. You do, but there are 36 foreign competitive nations who sit in Geneva and they send whatever representatives they want, do they not?

Secretary DULLES. You say they sit?

Senator MALONE. There are 36 foreign competitive nations sitting in the Geneva Conference, each with one vote.

Secretary DULLES. Yes.

Senator MALONE. Members of the GATT in addition to our own membership, making a total of 37 with 37 votes, is that right?

Secretary DULLES. Yes.

Senator MALONE. Then you send the special delegation which you mentioned with one vote, but they send whomever they please; do they not?

Secretary DULLES. Yes.

Senator MALONE. So that there are 37 nations represented, each with 1 vote; is that true?

Secretary DULLES. I do not think there is any voting.

Senator MALONE. Suppose there was a trade agreement to be approved. How would it be approved, after it was negotiated?

Secretary DULLES. We would negotiate it; and, if we agree, we accept it.

If we do not agree, it does not affect us.

Senator MALONE. What nations have to agree to any multilateral agreement? Only the ones that are immediately concerned in that trade agreement?

Secretary DULLES. As far as we are concerned we have to agree.

Senator MALONE. If we withdrew the American markets from the international poker game in Geneva I understand there would be no game because we have the only markets that really amount to anything and under the rule we are the only nation keeping the agreements. We are the only nation that does not protect its own markets, since the foreign nations do not have to keep their part of such agreements as long as they can show that they are short of "dollar balance" payments.

But when we make a multilateral trade agreement, say 5 nations are immediately affected in the negotiation, when you agree and the other 4 agree, is that all there is to it.?

Secretary DULLES. No group of 4 or 5 can bind the others.

Senator MALONE. Then they all have to agree and we have the "most favored nation" clause so that every other nation receives the benefit of such agreement.

Secretary DULLES. Yes.

Senator MALONE. That is what I asked you to start with. Thank you. Now it requires 60 days' notice by any nation that is a party to it to escape from that agreement, either the United States or any other nation.

Is that true?

Secretary DULLES. Could I ask to have the question repeated?

Senator MALONE. Yes.

I will be glad to. Any contracting party to the General Agreement on Tariffs and Trade, that means the 37 nations that are now members—is that all that are members now or have there been some new ones recently?

Secretary DULLES. I think that is all.

Senator MALONE. Then, in accordance with the terms of the protocol provisional application of the General Agreement on Tariffs and Trade, any 1 of the 37, including the United States, is free to withdraw from the agreement at the end of 60 days after notice of such withdrawal is received by the Secretary General of the United Nations.

Secretary DULLES. That is as I understand it, yes.

Senator MALONE. Any nation can withdraw upon 60 days' notice.

Secretary DULLES. Yes, sir.

Senator MALONE. Now then, that is the multilateral trade agreements made in Geneva, and that organization is the only organization of GATT that can make a multilateral trade agreement, is that right?

Secretary DULLES. I do not know what you mean exactly by GATT. The initials of GATT——

Senator MALONE. The General Agreement on Tariffs and Trade, and that is the organization under which you are operating in Geneva.

Secretary DULLES. GATT is not an organization.

GATT, the initials GATT, stand for General Agreement on Tariffs and Trade.

Senator MALONE. Yes.

Secretary DULLES. In other words, GATT is an agreement. It is not an organization.

Senator MALONE. All right. Now the thing is then that multilateral trade agreements are what you make at Geneva. Under what organization did you transfer it to Geneva when it was organized in 1947? Under what authority?

Secretary DULLES. We negotiate——

Senator MALONE. Under what authority did you transfer the work of negotiating such trade agreements (GATT) to Geneva, Switzerland?

Secretary DULLES. Under the authority of the Trade Agreements Act.

Senator MALONE. Explain it.

Secretary DULLES. Under the authority of the Trade Agreements Act.

Senator MALONE. Under the authority of the 1934 Trade Agreements Act as extended—the act that you are urging Congress to continue beyond June 30 of this year.

Secretary DULLES. As amended; yes.

Senator MALONE. The President at that time transferred the authority to Geneva.

Secretary DULLES. No, sir.

Senator MALONE. What did he do?

Secretary DULLES. We negotiated a General Agreement on Tariffs and Trade pursuant to the authority of the Trade Agreements Act.

Senator MALONE. Who located it in Geneva, just a common arrangement?

Secretary DULLES. I beg your pardon?

Senator MALONE. How does it come to be in Geneva?

Secretary DULLES. Geneva is a convenient central point where a great many things are negotiated. We had the summit conference at Geneva.

Senator MALONE. Yes.

Are you having one right soon?

Secretary DULLES. Well, it is not right around the corner.

Senator MALONE. That is a little off the subject, and I am sorry.

I think we all really understood that maybe this was not an organization in itself, but it is a term used for the multilateral trade agreements that you make at Geneva and it is all done under the 1934 Trade Agreement Act; is that it?

Secretary DULLES. That is correct.

GATT, as I say, stands for, the initials of, General Agreement on Tariffs and Trade.

Senator MALONE. How many of them have you negotiated? I have been told it was only eight. I was under the impression it was quite a few more than that.

Secretary DULLES. There is one mulilateral agreement which is the one to which the other 36 countries you speak of are parties.

Then I believe there are 7 or 8 bilateral agreements that we have dealing with this subject matter.

Senator MALONE. What does this one agreement you talk about contain?

Secretary DULLES. It contains agreements by all of the countries about what their tariffs will be.

Senator MALONE. That was an original agreement, was it? Do you amend it from time to time or what do you do with it?

Secretary DULLES. It is renegotiated from time to time, yes.

Senator MALONE. I have a book here. Is this the first agreement, the only agreement that you made with 36 nations? It says here:

> Preliminary for release at 11 a. m. eastern daylight savings time, Thursday June 7, 1956, not to be previously published, quoted from, or used in any way. General Agreement on Tariffs and Trade, Analysis of United States Negotiations, Sixth Protocol (including Schedules) of Supplementary Concessions, Negotiated at Geneva, Switzerland, January–May 1956, Department of State.

This is the thing that you have renegotiated after first negotiations in 1947; is that it?

Secretary DULLES. I cannot see, Senator, what it is you are holding up.

Senator MALONE. I will trust you.

Secretary DULLES. It is not classified, I notice.

This reflects the results of the tariff negotiations of 1956.

Senator MALONE. How many of those renegotiations have you had?

Secretary DULLES. Quite a lot. I cannot give you the full answer. There have been 4 in the last 4 years.

Senator MALONE. Could you complete the record?

Secretary DULLES. Yes.

Senator MALONE. Starting with the first one, whatever date it was made.

Do you know when the first one was made? Was it 1947?

Secretary DULLES. Oh, no. It goes back to about the date of the first adoption of this legislation, about 1934 or thereabouts.

Senator MALONE. I understand that all bilateral and multilateral trade agreements are made under the authority of the 1934 Trade Agreements Act, as extended. However, you were not making them at Geneva until 1947, were you?

Secretary DULLES. I do not think so. There is no mystery about Geneva, Senator.

Senator MALONE. I was there in 1955 at the Atomic Power Conference.

I took your secretary of GATT to lunch.

He was an Englishman.

Secretary DULLES. My secretary?

Senator MALONE. No; not your secretary. The secretary to the General Agreement on Tariffs and Trade. I had a long visit with him. That was in 1955 and I was on the way to Russia and attended the first meeting of the experts from Russia and all other nations on atomic energy in Geneva. I spent several days there attending those meetings.

I was the only one not a member of the delegation in the glass house where 3 Russians and 3 Americans first met and talked through an interpreter about atomic power and atomic energy development.

I was intensely interested in it and still am, but I am interested in this, too. Would you complete the record, then, as to when you started making multilateral trade agreements under the 1934 Trade Agreements Act?

I guess you did not make any before 1934, did you?

Secretary DULLES. No.

Senator MALONE. Then start with 1934 and complete the record on the bilateral and multilateral trade agreements. Would you do that for me for the record?

Secretary DULLES. Yes, sir.

Senator MALONE. Now under these bilateral trade agreements, you make those, do you not? When you negotiate them with other single nations they are called bilaterals then?

Secretary DULLES. We negotiate all of them.

Senator MALONE. No, I am now confining this question to bilateral trade agreements. You do not make them with several other nations. You make them with one other nation; do you not?

Secretary DULLES. That is right.

I thought your point was as to who negotiated them.

Senator MALONE. No.

Secretary DULLES. You said we negotiated those as though we did not negotiate the others.

Senator MALONE. We have passed beyond the multilateral though we might return to it.

Secretary DULLES. All right.

Senator LONG. Senator Malone, I believe you have a number of other questions that you would like to ask.

The hour of 1 o'clock having arrived, I discussed this matter with the chairman and he thought that at 1 o'clock it would be well that we recess until 2 o'clock or 2:30.

We will meet back here at 2:30, if that is agreeable with you, Mr. Secretary.

(The material previously referred to follows:)

JUNE 1958.

CALENDAR OF TRADE AGREEMENTS

Listed below are the 53 countries with which the United States has concluded reciprocal trade agreements under the provisions and authority of the Trade Agreements Act of 1934, as amended and extended. Agreements with 43 of these countries are presently in effect; 35 are under the multilateral General Agreement on Tariffs and Trade (GATT), and the remaining 8 are bilateral agreements.

Meanings of symbols used in the list are as follows:

(B) indicates bilateral agreement.

(G), (A), (T), or (J) indicates multilateral conference at which country negotiated for accession to GATT: (G)—Geneva, Switzerland, 1947; (A)—Annecy, France, 1949; (T)—Torquay, England, 1951; (J)—Geneva, Switzerland, 1955.

The 10 countries with which trade agreements are no longer in effect are indicated by italic.

Country	Date concluded	Date effective	Date terminated
Argentina (B)	Oct. 14, 1941	Nov. 15, 1941	
Australia (G)	Oct. 30, 1947	Jan. 1, 1948	
Austria (T)	Apr. 21, 1951	Oct. 19, 1951	
Belgium (G) [1]	Oct. 30, 1947	Jan. 1, 1948	
Brazil (G) [1]	do	July 31, 1948	
Burma (G)	do	July 30, 1948	
Canada (G) [1]	do	Jan. 1, 1948	
Ceylon (G)	do	July 30, 1948	
Chile (G)	do	Mar. 16, 1949	
China (G)	do	May 22, 1948	[2] May 5, 1950
Colombia (B)	Sept. 13, 1935	May 20, 1936	[3] Dec. 1, 1949
Costa Rica (B)	Nov. 28, 1936	Aug. 2, 1937	[3] June 1, 1951
Cuba (G) [1]	Oct. 30, 1947	Jan. 1, 1948	
Czechoslovakia (G) [1]	do	Apr. 21, 1948	[4] Sept. 29, 1951
Denmark (A)	Oct. 10, 1949	May 28, 1950	
Dominican Republic (A)	do	May 19, 1950	
Ecuador (B)	Aug. 6, 1938	Oct. 23, 1938	[3] July 17, 1955
El Salvador (B)	Feb. 19, 1937	May 31, 1937	
Finland (A) [1]	Oct. 10, 1949	May 25, 1950	
France (G) [1]	Oct. 30, 1947	Jan. 1, 1948	
Germany (T)	Apr. 21, 1951	Oct. 1, 1951	
Ghana (G) [1]	Oct. 30, 1947	July 28, 1948	
Greece (A)	Oct. 10, 1949	Mar. 9, 1950	
Guatemala (B)	Apr. 24, 1936	June 15, 1936	[3] Oct. 15, 1955
Haiti (A) [1]	Oct. 10, 1949	Jan. 1, 1950	
Honduras (B)	Dec. 18, 1935	Mar. 2, 1936	
Iceland (B)	Aug. 27, 1943	Nov. 19, 1943	
India (G)	Oct. 30, 1947	July 9, 1948	
Indonesia (G) [5]	do	Mar. 11, 1948	
Iran (B)	Apr. 8, 1943	June 28, 1944	
Italy (A)	Oct. 10, 1949	May 30, 1950	
Japan (J)	June 8, 1955	Sept. 10, 1955	
Lebanon (G)	Oct. 30, 1947	July 30, 1948	[3] Feb. 25, 1951
Liberia (A)	Oct. 10, 1949	May 20, 1950	[3] June 13, 1953
Luxembourg (G) [1]	Oct. 30, 1947	Jan. 1, 1948	
Malaya (G) [6]	do	July 28, 1948	
Mexico (B)	Dec. 23, 1942	Jan. 30, 1943	[3] Jan. 1, 1951
Netherlands (G) [1]	Oct. 30, 1947	Jan. 1, 1948	
New Zealand (G)	do	July 31, 1948	
Nicaragua (A) [1]	Oct. 10, 1949	May 28, 1950	
Norway (G)	Oct. 30, 1947	July 11, 1948	
Pakistan (G)	do	July 31, 1948	
Paraguay (B)	Sept. 12, 1946	Apr. 9, 1947	
Peru (T) [1]	Apr. 21, 1951	Oct. 7, 1951	

See footnotes at end of table, p. 74.

Country	Date concluded	Date effective	Date terminated
Rhodesia and Nyasaland (G) [7]	Oct. 30, 1947	July 12, 1948	
Sweden (A) [1]	Oct. 10, 1949	Apr. 30, 1950	
Switzerland (B) [1]	Jan. 9, 1936	Feb. 15, 1936	
Syria (G)	Oct. 30, 1947	July 31, 1948	[2] Aug. 6, 1951
Turkey (T) [1]	Apr. 21, 1951	Oct. 17, 1951	
Union of South Africa (G)	Oct. 30, 1947	June 14, 1948	
United Kingdom (G) [1]	....do	Jan. 1, 1948	
Uruguay (A) [1]	Oct. 10, 1949	Dec. 16, 1953	
Venezuela (B)	Nov. 6, 1939	Dec. 16, 1939	
supplemental agreement	Aug. 28, 1952	Oct. 11, 1952	

[1] The trade-agreement relationship shown above superseded a bilateral agreement which was terminated or suspended when the relationship shown above was undertaken. The agreements so terminated or suspended are as follows:

Country	*Effective date*
Belgium	May 1, 1935.
Brazil	Jan. 1, 1936.
Canada:	
1st agreement	Do.
2d agreement	Jan. 1, 1939.
Supplemental agreement	Jan. 1, 1940.
2d supplemental agreement	Dec. 20, 1940.
Cuba	Sept. 3, 1934.
Supplemental agreement	Dec. 23, 1939.
2d supplemental agreement	Jan. 5, 1942.
Czechoslovakia (duty concessions in this bilateral were terminated on Apr. 22, 1939)	Apr. 16, 1938.
Finland	Nov. 2, 1936.
France	June 15, 1936.
Haiti	June 3, 1935.
Luxembourg	May 1, 1935.
Netherlands	Feb. 1, 1936.
Nicaragua (duty concessions in this bilateral were terminated on Mar. 10, 1938)	Oct. 1, 1936.
Peru	July 29, 1942.
Sweden	Aug. 5, 1935.
Turkey	May 5, 1939.
United Kingdom	Jan. 1, 1939.
Uruguay	Jan. 1, 1943.

[2] Country indicated withdrew from the GATT effective as of the termination date shown.
[3] Bilateral agreement terminated by joint agreement effective as of the date shown.
[4] United States obligations to Czechoslovakia under the GATT were suspended as of Sept. 29, 1951.
[5] Ghana and the Federation of Malaya were recognized as contracting parties on Oct. 17, 1957, and Oct. 24, 1957, respectively. The general agreement was previously applied by the United Kingdom in the present areas of Ghana and the Federation of Malaya.
[6] Prior to Feb. 24, 1950, the date on which the Republic of Indonesia was recognized as a contracting party, the Netherlands applied the general agreement to the Netherlands Indies as a Netherlands territory.
[7] Prior to Oct. 29, 1954, the date on which the Federation of Rhodesia and Nyasaland was recognized as a contracting party, the general agreement was applied in the present Federation area by Southern Rhodesia and by the United Kingdom (for Northern Rhodesia and Nyasaland).
[8] An agreement adding the escape clause was signed Oct. 13, 1950. A supplementary agreement became effective July 11, 1955.

In addition to the basic agreements shown in the list above and its footnotes, there have been a number of renegotiations of a multilateral character. The principal ones are in the treaties and other International Agreements Series (TIAS), listed below together with document numbers.

Agreement providing trade concessions on certain items (1955): TIAS 3473.
Agreement supplementary to the General Agreement (1957): TIAS 3854.
Sixth Protocol of Supplementary Concessions (1956): TIAS 3591.
Eighth Protocol of Supplementary Concessions (1957): TIAS 3882.

(Whereupon, at 1 o'clock p. m., the committee was recessed to reconvene at 2:30 p. m., the same day.)

AFTERNOON SESSION

Senator FREAR. Mr. Secretary, the chairman has been detained a few minutes but in order to conserve time and yourself, too, he thought we might start hearing your statement if it is agreeable with you.

I might announce to the committee that Secretary Dulles will return tomorrow morning at 9, 9:30, or 10 o'clock.

The time will be announced before we leave.

Senator MALONE. Before we have to get up?

Senator FREAR. Yes, sir; and before we recess this afternoon.

Mr. Secretary, it is fine to have you here with us today and we are looking forward to your testimony and I am sure you are looking forward to the questions.

Secretary WEEKS. Yes, sir.

Mr. Chairman, may I ask if I could complete my statement before the questions, if that is in accord with your rules and regulations?

Senator FREAR. Yes, Mr. Secretary, I think that was agreed to previously and I am sorry I did not announce it.

Secretary WEEKS. Thank you very much.

STATEMENT OF HON. SINCLAIR WEEKS, SECRETARY OF COMMERCE

Secretary WEEKS. Mr. Chairman and members of the committee, I am here today to urge passage of H. R. 12591, to extend for 5 years the President's authority to enter into reciprocal trade agreements for the benefit of the United States.

The trade bill presents a practical and powerful means of dealing effectively with our economy at home and our grave problems abroad.

The full 5-year extension will provide one of the most powerful tools yet devised to build American prosperity, free-world solidarity and might, and a firmer peace.

This is legislation which will promote our Nation's economic welfare at a time when we are striving to resume full use of our productive capacity.

This is legislation which will help protect the jobs of more than 4½ million American workers whose livelihood depends on world trade and which will help create markets for additional American exports.

Equally important, this is legislation which will provide a needed and effective instrument with which to combat Soviet economic aggression. Passage of this bill will promote the economic strength of the entire free world, and will help hold the free-world community firmly together in the face of Soviet economic threats and blandishments.

In sum, this is legislation which, in my judgment, is good for the country and which is essential in the national interest. With your permission, I should like to tell you just why I believe this bill will advance our economic wellbeing, and how it will assist us in countering the Soviet economic offensive.

First, however, let me point out that the Secretary of Commerce is, by statute, responsible for fostering, promoting, and developing the foreign and domestic commerce of the United States.

In doing so, he must take into consideration the needs and problems of all segments of American business and industry. This includes those who engage, directly or indirectly, in foreign trade and investment, as well as those who have little or no interest in foreign markets or foreign sources of supply.

The United States today is by far the most important trading nation in the world. With world trade's increasing importance to us, the Department of Commerce is playing an increasingly significant role in the formulation of our foreign-trade policies.

Additionally, the President has strengthened Commerce's role in trade-agreement matters and in foreign economic questions, generally, by creating a Cabinet-level Trade Policy Committee, chaired by the Secretary of Commerce. This Committee now directly advises the President in the administration of the trade-agreements program.

The recommendations made to the President by this body include action in escape-clause cases. The Committee guides the direction of GATT negotiations and is consulted on the proposed composition and membership of our delegations to GATT meetings. The Committee reviews and advises the President respecting all recommendations of the interdepartmental Trade Agreements Committee, and is consulted on other matters which influence this country's position in world trade.

Creation of the Trade Policy Committee is a new approach in this area, and reflects the fact that our domestic economic situation is receiving and will receive due weight when decisions on international questions are taken.

Now, why does the President, and why do I, and why does the country believe that the bill under consideration is so essential and so important? A look at the magnitude and composition of our foreign trade provides one of the answers to this question.

Our external trade has reached truly staggering dimensions; 1957 was our peak trading year to date, with exports of manufactures, raw materials, and foodstuffs totaling \$19½ billion--and this completely exclusive of any military aid. In the same year, our imports totaled \$13 billion.

Trade levels in 1958, despite the recession, still are very high, and, today, foreign demand constitutes one of the important forces buoying up our industrial production and employment.

By way of example, exports of finished manufactures in the first quarter of 1958 were down only 4 percent from the 1957 first-quarter level, while our production of manufactures had dropped by 11 percent. Trade of this magnitude is, obviously, of very great importance to our economy.

World trade provides the livelihood for at least 4½ million American workers—about 7 percent of our labor force.

Our exports of goods and services currently represent about 6 percent of the Nation's output.

The value of United States goods marketed abroad in 1957 exceeded the value of all consumer purchases of automobiles, parts, and accessories, or all residential construction, or all consumer purchases of furniture and household equipment, or, to take examples from the field of agriculture, all cash receipts of farmers from crop marketing, or all cash receipts of farmers from marketing of livestock and livestock products.

We exported around 10 percent of our entire output of movable goods in 1957, including 13 percent of our machine tools, 20 percent of our production of trucks, 29 percent of our construction and mining equipment.

And, in agriculture, on an average over the last 5 crop years, 25 percent of our cotton, 28 percent of our tobacco, and 32 percent of our wheat.

Figures of these dimensions forcefully demonstrate the importance of world markets to every area of the United States, and every major segment of business and agriculture in our country.

There are those who say we can continue to sell, even if we do not buy. This is just not so. Nations, like individuals, must evaluate their needs in terms of their purchasing power.

Countries without dollars cannot purchase American products, much as they might like to, or much as we might like to sell to them.

For proof, I want to show a chart and, Mr. Chairman, I have several charts that I will come to in the course of the next few moments.

This chart shows total international payments.

There is the line showing our receipts. It goes back to 1919, and here is the line showing our payments, and there is the line showing our receipts.

And you can see for yourself how closely correlated are the 2 sets of statistics, running back, as I said, almost 40 years.

Throughout the period, changes in United States receipts have corresponded very closely to changes in the level of United States payments to foreign countries.

In other words, what foreigners spend here for goods and services, on the record, is closely related to what we spend abroad, chiefly for their goods and services, but also including our investments abroad and our foreign aid outlays.

Now, I have a chart here, we call our block chart, that shows for 1957 the balance of payments.

On the left-hand side are the—what the foreigners bought from us. They bought goods and services totaling slightly over $26 billion. Freight, travel, other services, and investment income are in the blue block.

Below that are the exports, our exports of foodstuffs, raw materials and semimanufactures, and, finally, the red block, the exports of finished manufactured products. It is a total of $26 billion.

This is balanced on the right-hand side by what we bought abroad, and we brought in the red block at the bottom $3½ billion of finished manufactures; the next block is the foodstuffs, raw materials, and semimanufactures, and finally freight, travel, other services and investment income.

So we sold by way of goods and services $26 billion, and we bought about $18 billion.

Now how was the difference balanced out?

First by $3.2 billion of military purchases—that includes the money spent by the personnel of our military establishment stationed abroad; $2.8 billion by Government aid.

Senator KERR. I do not want to interrupt you there, Mr. Secretary, but did I understand the $3.2 billion is the individual purchases of our military personnel or is that purchases by our Government?

Secretary WEEKS. No; this is cost of maintaining our troops and other installations abroad, plus what the personnel themselves spend out of their own pockets.

Senator KERR. Yes.

Secretary WEEKS. From their salaries and so on, pay.

Finally, the last block, $3 billion of United States private investment abroad. This gives you a general picture of what we did last year, and I will proceed.

What part now have reciprocal trade agreements played in the favorable trading developments of recent years?

To my mind, a very important one.

We have had our best opportunity to judge the worth of the program during the past 5 years or so. Before this, World War II and its aftermath and the Korean war had so distorted world trade, had so increased the need of many countries for imports, and so reduced their ability to export, that the effects of reciprocal tariff reductions were temporarily overshadowed during this period.

By looking at the last 5 years, when economic conditions have become more normal in most countries, I think we can see better what has happened during a period when tariff rates have again become an important factor in trade. In this way we can form some idea of the world of a program under which we and all or our important trading partners have reciprocally lowered many duties.

Let me present to you a chart in which we have compared under the heading "Exports and Imports of Finished Manufactures in Constant 1956 Dollars," the trend of exports and dutiable imports.

The export total has been arrived at by subtracting the total value of our foreign-aid grants.

Now, the pointer is pointing over on the left-hand side, we have the picture, way over, of our imports below, and our exports above, in the period from 1926 until the Second World War.

Then I have blocked out the World War II and its aftermath and started again in 1951.

And up above we have the line showing the steady increase in the export of finished manufactures and below a moderate increase in the import of finished manufactures.

This red line above is arrived at by deducting arbitrarily every dollar of military or other aid, part of the aid program of this country.

Senator KERR. At this point in order that I may better understand and not interrupt——

Secretary WEEKS. Yes, sir.

Senator KERR. Can that be related to the one that just preceded it?

Secretary WEEKS. No——

Senator KERR. I mean the exports minus Government grants appears to be $8 billion.

Secretary WEEKS. Yes, sir.

Senator KERR. What was the figure that was over there, sir?

Secretary WEEKS. The figure over there is $10.4 billion.

Senator KERR. I thought it was $19 billion.

Secretary WEEKS. Well, $19 billion includes foodstuffs, raw materials, and semimanufactures.

Senator KERR. What does this include?

Secretary WEEKS. This is just finished manufactures.

Senator KERR. I thought that was everything except Government grants.

Secretary WEEKS. No; this red line is just the finished manufactures.

Senator KERR. I see.

Secretary WEEKS. Just the finished manufactures, with no Government aid included. Everything is arbitrarily taken out. And the reason I use dutiable imports is that this is the area where a tariff debate would result.

Those items that are on the free list were put on the free list in 1930, in the Smoot-Hawley Tariff Act, and still remain there.

Let me say that the really significant factor to be noted is the tremendous increase of our exports of finished manufactures in the last 5-year period as concentrated in this particular field with a relatively small increase in dutiable imports of the same category of goods.

And while we attempt, I maintain, while we attempt to provide a reasonable measure of protection for industries that might be in difficulty, there, as I see the picture, is an obligation to give a measure of protection to the $8 billion of finished manufactures made in the plants, mills, and factories of this country.

In somewhat more detail let me now refer to several charts depicting trends of the last 5 years in exports and imports of particular types of commodities and for this purpose I am choosing examples from industries whose products are both exported and imported on a significant scale.

I am including several industries whose spokesmen have been known to complain publicly about competitive imports, even though their products are exported in much larger volume than they are imported.

As I look at the figures I wonder, as I have often wondered in the past, if such spokesmen are bearing in mind the stake which their own industries have in the maintenance of export markets, and if they realize how much they themselves might stand to lose should the United States follow shortsighted policies leading to shrinkage of our markets abroad.

Let us look, for example, at our chemical trade. In 1953, we exported about $900 million worth of chemicals and allied products. At about this time the chemical and allied-products people—many of them, not all, but many—looked at the future with dire foreboding if this trade policy were maintained in being. In 1953, we exported about $900 million worth of chemicals and allied products and imported some $450 million worth.

Now our exports of chemicals have risen continually since 1953, and total in 1957, $1½ billion, 70 percent above the 1953 levels, while the imports have held steadily at or below the level of 1953, and this does not strike me as the record of an industry in dire jeopardy from import competition.

Rather it suggests an industry with a vital stake in keeping as clear as possible its channels to export markets.

One of the most important single classes of United States exports is industrial and business machinery. These exports have risen from $1,700 million in 1953 to more than $2.6 billion today, in 1957.

Imports, although acquiring some consequence in the past decade have risen much less since 1953, from $150 million to $280 million a year.

Similarly, while imports of iron- and steel-mill products have held steadily at roughly $200 million between 1953 and 1957, over the same span exports of steel products approximately doubled, moving from about $560 million to more than $1,100 million.

Still another industry in which our exports have grown rapidly is paper manufacturing.

Exports of paper and paper products have risen by more than 60 percent since 1953.

To be sure, our imports of paper and paper manufactures, exclusive of newsprint for which we rely chiefly on foreign supplies, have risen by a similar percentage but they remain less than one-third as large as the corresponding exports.

Now let us look at cotton textiles, where the trade picture does not seem as good as some of the others.

Imports of cotton manufactures doubled from $73 million in 1953 to $154 million in 1956, and amounted to $136 million last year.

Over the same interval, exports of cotton manufactures have declined somewhat from $272 million in 1953 to $253 million in 1957.

But we should not lose sight, I think, of the overall picture in which United States cotton textile exports remain nearly twice as large as the imports.

Actually in cotton cloth last year the exports were $148 million, and the imports $35 million.

And imports such as they are, still rank only between 2 and 3 percent of domestic production.

Now in this connection, I would remind you of our recent efforts in bringing to the attention of the Japanese the implication of the very rapid rise in United States imports of cotton textiles which was under way a few years ago.

The Japanese decided to limit their exports of such products to us, and I believe that this voluntary action on the part of Japan has worked well in the interests of both countries.

In a world as complex as ours, in which a variety of factors affect trade, it is difficult to isolate the effects on trade of any one influence. It is clear that many things in addition to the reciprocal trade agreements program have played a part in these favorable developments which I have described.

But while it would be incorrect to attribute these advances solely to the reciprocal trade agreements program, it is, as I have said before, downright wrong to condemn a program under which such spectacular strides have been achieved.

We may not be able to measure precisely the part played by the program in expanding our exports, but these were the rules under which the game was played while our trade was making such outstanding progress from 1953 to date.

In the light of the results how can one say the rules are bad?

Let me now describe very briefly the specific proposals contained in the bill you are considering.

First, it is proposed that the President's authority to enter into trade agreements be extended for 5 years, from June 30, 1958, through June 30, 1963.

As I will explain in detail later, a 5-year renewal of negotiating authority is needed primarily to enable us to help maintain and further develop our trade relations with the European common market.

We sold over $3 billion of American products to the common market countries in 1957, and it is important to American industry and agriculture that the new common market duty rates be as low as possible.

The United States needs to undertake careful and exhaustive preparations and conduct detailed negotiations with the common market; and in order to do so, the President must be provided with sufficient authority.

It is further proposed that additional authority be provided to reduce duties in carrying out trade agreements entered into between July 1, 1958, and July 1, 1963.

This would consist of authority to reduce individual rates of duties to a point not below the lowest rate resulting from applying any one of the three following methods:

(1) Reducing the July 1, 1958, rate by not more than a total of 25 percent. The President would be authorized to make reductions gradually over a period of time in not more than five annual stages. Ten percent of the rate would be the maximum reduction which normally could be put into effect for the first time in any one year.

(2) Reducing the July 1, 1958, rate by not more than 2 percentage points. Such reductions would also have to take effect by stages, not exceeding 5; and no reduction of more than 1 percentage point normally could be made effective in any 1 year. This alternative authority would be significant in the case of rates of less than 8 percent, where 2 percentage points would be a larger reduction than the maximum reduction under the first method.

(3) Reducing, as is presently authorized, an existing rate which is above 50 percent ad valorem down to 50 percent ad valorem. Here, too, reduction would have to be made gradually by stages. This alternative authority would be significant in cases of rate over 66⅔ percent, where it would permit a greater reduction than under the above first alternative method.

It is proposed not only that the peril point and escape clause procedures and other safeguards for American industry and labor in the present law be continued, but also that the safeguards be strengthened. Specifically, it is provided that:

The Tariff Commission would be given more time—6 months instead of 120 days—in which to complete peril point investigations and reports.

Tariff Commission investigations and reports in escape clause cases are to be completed in 6 months instead of the 9 months allowed by the present law.

The Tariff Commission would be given the power of subpena as needed to acquire information relevant to its trade-agreement responsibilities.

The President would be given greater authority to raise duties. He would be authorized to raise duties as much as 50 percent over the rates which existed on July 1, 1934. This represents a significant change from the present law, under which the President now has authority in escape clause cases (1) to terminate the trade agreement concession, with the result that usually the rate established by the Tariff Act of 1930 then applies; or (2) to increase the duty by as much as 50 percent over the rate existing on January 1, 1945.

Since on many items the 1934 rates were substantially higher than the 1945 rates, this change would increase the extent to which duties on such items could be raised where necessary to avert serious injury to domestic industries.

The President would be authorized, in escape clause cases, to impose duties of up to 50 percent ad valorem on duty-free items which have been bound in trade agreements.

The eligibility of organizations or groups of employees to file application for an escape-clause investigation would be made explicit.

When the President disapproves in whole or part a Tariff Commission recommendation in an escape-clause case, effect would be given to any part of the recommendations which has not been made effective if there is approved, within 60 days of the submission of the report of the President's disapproving action, a concurrent resolution by a two-thirds vote of both Houses of Congress.

Any such resolution would be privileged in order to expedite congressional consideration.

It is also proposed that the law provide for more prompt and effective consideration of serious injury cases, under these circumstances: The Tariff Commission shall promptly institute an escape-clause investigation, if in the course of a peril-point investigation it finds that an increase in the existing duty or additional import restrictions is required to avoid serious injury.

Finally, it is proposed that the national security amendment be changed to specify certain of the factors which are to guide the Director of the Office of Defense Mobilization and the President in considering whether imports are threatening to impair the national security. In addition, certain procedural changes are made in the consideration of national security cases.

The bill specifically directs the President to include in his annual report on the operation of the trade agreements program a statement on progress made in removing restrictions maintained by other countries on imports from the United States and states that it is the sense of Congress that the President shall seek information and advice from representatives of American industry, agriculture, and labor during the course of negotiating trade agreements.

I want to say a few words about safeguards protecting American industry.

While stressing the desirability of an expanded foreign trade, and our need in this connection for the authority conferred by this legislation, I want to stress with equal force my belief that when we work for increased trade we have a clear duty to see to it that we do not grant tariff reductions which cause serious injury to individual segments of American business.

I believe the safeguards contained in the present legislation, as significantly reinforced by H. R. 12591, fully meet this essential need.

There are two broad types of problems against which we all agree safeguards are needed. The first is the possibility of serious injury to individual industries or segments of industries. This is the problem of commercial injury.

The other is the possible threat to our national security—the risk that imports might interfere with production we need for national defense. These are two different problems and the safeguard provisions are similarly distinct.

Our safeguards against commercial injury are of two kinds. One—the peril-point procedure—is designed to identify such problems in advance and avoid making tariff concessions which will threaten commercial injury. The other is a remedial provision—the escape clause designed to give individual firms and industries a procedure for seeking a remedy where concessions do as a result of unforeseen circumstances create such injury.

And as I noted at the beginning of my remarks, the bill you are considering strengthens significantly both the peril-point and the escape-clause procedures.

There has been some feeling that the limitation of tariff increases to 50 percent above the 1945 rate might in some cases make such relief inadequate. Too, there has been fear that the inability under present legislation to impose duties on duty-free items might work hardships on certain industries.

It is in recognition of these situations that the bill before the committee proposes that the level to which the tariff could be raised in such cases be substantially increased by raising the ceiling to 50 percent over 1934, and that duties of up to 50 percent ad valorem could be levied on duty-free items. These changes would importantly enlarge the relief available under escape-clause procedure.

As for the national security provision, which is spelled out in more detail in this bill than previously, here the coverage is even broader than in the case of the commercial injury escape clause.

The President's authority extends to imports of all items, whether or not they have been subject to a tariff concession. Here the President's authority is all inclusive—the adequacy of the remedies available is self-evident.

The President's action on crude-oil imports—and I may parenthetically say that I was, have been, and am now Chairman of the President's Committee to make recommendations respecting this general situation—the President's action on crude-oil imports and more recently on imports of unfinished gasoline evidence the fact that the provisions of the statute are available and are invoked when occasion requires.

There has been criticism of the operation of the escape-clause provisions, so let us examine the record to date.

The fact is that most unsuccessful escape-clause applicants failed to obtain action because they did not make a case for injury in their appearance before the Tariff Commission.

Since the institution of escape-clause procedure of the 87 cases filed with the Tariff Commission, 54 cases were either dismissed at applicant's request, terminated without finding or rejected by the Commission. Three are still pending.

The remaining 30 cases were sent to the President with a recommendation for action.

These 30 cases which were presented to the President by the Tariff Commission involved 26 commodities.

Of the 26, 2 are still pending; and of the remaining 24, the President has taken action in 12—in 10 by accepting the Tariff Commission recommendations and in 2 by other appropriate means.

It is indeed a tribute to the operation of the Trade Agreements Act that while we have made concessions on about 3,000 items that move in world trade, over a 5-year period only 26 commodities reached the President's desk under escape-clause procedure.

In each case where he decided not to invoke the escape clause, the President documented fully and publicly his reasons. In some cases the President concluded that serious injury as a result of imports had not been demonstrated; in others, that the proposed tariff increase would not remedy the situation in any significant way.

While basing his decisions primarily on these considerations, the President—whose responsibility it is to conduct the foreign relations of the United States—obviously also had to weigh the effects of particular actions on our relations with other nations, on our alliances, and on our military security itself.

In my House testimony I cited the case of fish fillets, where the President concluded that the raising of duties would not really improve the situation of our industry, and, as I interpreted his action, it might well push Iceland, a friendly small country, far into a position of economic dependence on the Soviet Union.

Iceland plays a vital role in our defense alliances by virtue of its geographic position. Instead of raising duties, therefore, the President decided to take a series of other measures which he judged would more effectively assist our domestic interests without prejudicing our relations with an essential ally.

More recently, the actions on certain metals and minerals which the President has proposed and which the Senate is now considering, are other examples of how effective relief can be granted to deserving industries by other than tariff means, thereby contributing greatly to the proper conduct of our foreign relations and furthering our national interest.

I want to stress with the utmost vigor the vital role played by the President's discretionary powers in these matters. As I have stated, the legislation you are considering contains a provision, acceptable to the President, under which a concurrent resolution by a two-thirds vote of both Houses of the Congress can override Presidential disapproval of a Tariff Commission recommendation.

To go beyond this in limiting the President's discretion, as some have suggested, would in my judgment be a very serious mistake. The record of the President's action in these matters demonstrates that he has used his authority wisely in our national interest, and I consider it absolutely vital that he continue to be able to exercise effectively this discretionary power.

As I have followed the debate on the reciprocal trade program, I have given very careful consideration to the arguments of those opposing it.

Let me refer to a few of them very briefly.

There are those who charge that the reciprocal trade agreements program is not truly reciprocal, that we have reduced our duties without receiving in return equivalent reductions from our trading partners.

The facts demonstrate the contrary. We have obtained concessions from foreign countries which about match in volume and value the concessions we have given. While our duties have dropped significantly during the life of the program, so have those of all of our principal trading partners who participate with us in the program, and here, Mr. Chairman, may I insert for the record, I will spell it out here: Our duties have been reduced to a level of average ad valorem equivalent duties prewar approximately 37——

Senator KERR. What do you mean, percent?

Secretary WEEKS. No—have been reduced from 16 to 6 percent.

Germany, Western Germany, has reduced its average ad valorem equivalent duties from 28 percent, down to 6 percent.

France from 22 down to 6, Italy 12 to 8, Belgium-Luxembourg from 12 to 8—6 to 4 rather, Sweden, from 9 to 5½, and the United Kingdom, exclusive of revenue duties on such items as tobacco, liquor, and petroleum products from 4 to 2.

I will see these figures are provided for the record.

(The Secretary of Commerce subsequently forwarded to the committee the following statement:)

Changes in tariff levels of selected countries with which the United States has trade agreements

Country	Tariff level[1]		
	1937	1957	Percent change
Australia	29.5	9.6	−68
Austria	14.2	5.9	−58
Canada	13.0	[2] 10.2	−22
Denmark	6.4	[2] 2.8	−56
France	21.9	[2] 5.9	−72
Germany	28.0	6.4	−77
Greece	[3] 21.1	[4] 16.2	−23
Italy	11.5	[2] 8.4	−27
Norway	12.1	[5] 4.8	−60
Sweden	8.9	[5] 5.8	−27
Switzerland	16.1	5.9	−63
United Kingdom	4.1	2.3	−44

[1] Ratio of customs receipts to value of imports. Customs receipts do not include revenue taxes levied at substantially similar rates on equivalent domestic production.
[2] 1956.
[3] 1938–39.
[4] 1954.
[5] 1955.

Now following the war many foreign countries imposed quantitative restrictions on dollar goods for balance-of-payments reasons. Such quota restrictions had considerable effect on trade patterns. We agreed that quotas could be used as long as balance of payments problems made them necessary. We realized, of course, that these financial problems deferred some of the benefits we obtain from trade-agreement concessions, but considered this inevitable as long as countries could not in any case pay dollars for more imports.

There was full agreement by all parties, however, that quota restrictions should be relaxed and removed as rapidly as circumstances permit, and this basic commitment is written into the GATT.

Most people are not aware of the extent to which these quantitative restrictions have been eased in recent years, particularly in Western Europe.

Today, for example, Belgium, the Netherlands, and Germany—three of our principal trading partners— impose virtually no restrictions on imports of dollar goods.

Sweden has freed 70 percent of its private dollar imports from quota restrictions; Italy, 72 percent; Denmark, 55 percent; Norway, 85 percent; in fact, practically all of the countries of Western Europe have taken some steps to remove quotas on dollar imports.

This development undoubtedly has played a part in the extremely favorable development of our European trade in recent years—our exports to this area having increased from $2.9 billions in 1953 to $6 billion in 1957.

As I have already pointed out, the proposal for a 5-year renewal of the President's authority to enter into trade agreements is intimately related to the recent creation of the European Economic Community—the so-called European common market. Here six European countries, with a combined population almost equal to ours and a combined national product about one-third of our own, and consuming about

$3 billion worth last year of our exported products. They are in the process of forming a new economic grouping.

During the next 12 to 15 years, the European Economic Community will gradually eliminate all duties on its internal trade, and will gradually adopt a common customs tariff to the outside world, including the United States.

With this economic unification should come faster economic growth, and consequently enlarged opportunities in the European market for our traders and investors. The extent to which we can benefit from these enlarged opportunities will, however, depend upon the tariff rates ultimately adopted by the European Economic Community.

The Community stands ready to adjust individual rates in return for reciprocal concessions by its trading partners.

To my mind, it is extremely desirable for the President to have authority in this field which will enable us to maintain and expand our export markets in this vitally important area. It is not in the interests of this country that we allow our trade to remain static while the rest of the world negotiates for greater opportunity.

Why do we need authority for 5 years to negotiate successfully with the common market? Because it will take the European Economic Community the next 18 months or more to work out its proposed tariff rates.

When these rates are known, we in this country will have to work out our list of possible United States concessions painstakingly and carefully, to insure that we screen out any which might threaten serious injury to any United States industry. This will bring us well into 1961. Then will come the negotiations themselves, complex and involving many countries, and certain to take over a year.

If there were no difficulties or delays at any of these stages, it might be possible to conclude negotiations by mid-1962. We should not, however, take the chance that there will be no delays.

We need a full 5 years to insure that everything we do is done after we have studied all the facts and considered their implications.

We must always bear in mind that it takes at least two to negotiate. Given our importance in world trade, our presence at negotiations of this sort is crucial to their success. Unless our presence is guaranteed by a full 5-year extension, other countries will not themselves undertake serious preparations.

We have been examining the bill's economic implications, but I would now like to turn to the relation of this legislation to the economic offensive which the Soviet Union has launched against the free world. The evidence mounts week by week that the Soviet Union, using combined programs of trade and aid, is attempting to increase its influence in the free world and lessen our own.

Secretary Dulles has undoubtedly described to you the threat posed by these Soviet moves, and has told you how seriously we should regard them. Let me say that the Soviet program, if successful, could seriously endanger our entire way of life.

In its trade drive, Russia is paying particular attention to areas of political ferment and economic distress; in particular, it is cultivating the less developed countries of the world. Hardly a month goes by without new Soviet offers to one or another key country with problems, and the pace of Soviet offers seem, if anything, to be accelerating.

We should make a great mistake to underestimate the capacity of the Soviet bloc to state, to set forth on such an offensive or the appeal which Soviet offers may hold for other countries.

The Soviet threat in the trade field is a real and a serious one. It would be doubly serious if, while the Soviets preach and practice expanded trade, we were to retreat from our position of trade leadership and were to weaken ourselves by self-imposed restrictions on trade.

Stop trade, and the nations dependent on international exchanges will surely move away from us and toward the Communist world.

As I have often stated, we do not have to sacrifice our domestic industries in order to counter the Soviet threat.

What is essential is that we make it unmistakably clear to our friends that we intend to continue to trade with them, in the full sense of the word—that we intend to buy from them as well as sell to them. It is essential that they know we intend gradually and reciprocally to work for higher levels of world trade, and that we do not intend to retreat from our progress to date in this direction.

It is this confidence of our friends in the continuity and direction of our trading policies that is crucial. If they feel they cannot depend on our good intentions, they will look elsewhere for the markets and sources of supply they so vitally need. I know of no better way to generate or retain this confidence than the passage of the legislation under consideration.

To sum up, the reciprocal trade agreements program is one of our strongest weapons with which to counteract the Soviet trade offensive. It does not in itself provide the complete answer to Soviet economic penetration, but it is absolutely indispensable in the sense that, without it, nothing else we do is likely to be very effective.

If we do not demonstrate to the world that we support the continuing reduction of obstacles to free world trade, if our failure to take action weakens our friends to the point where they fall into economic dependence on the Soviet bloc, we will have lost a crucial battle in the epochal struggle of our times.

To sum up, let me review briefly the points I have tried to make in support of this legislation.

1. The program is a job-making and job-insuring program—today more than 4½ million American workers depend upon world trade for their livelihood.

2. Our foreign trade is vital to the future of our economy. Today we are the world's greatest trading nation.

3. The program contains adequate safeguards against injury to American industry, workers, and agriculture.

4. The program is particularly important in view of common market developments in Europe and elsewhere; and

5. Failure to satisfactorily reenact the program would severely handicap us in successfully countering the Soviet economic offensive.

Debate between protectionist and free trader is nothing new in this country. The process goes back to the earliest days of the Republic.

Neither is the debate new to me. As a manufacturer I have been concerned with these matters and concerned on the protectionist side of the argument.

For a number of years I was president of the Home Market Club, which some years ago for lack of support fell into innocuous desuetude—its remnants drifting into the American Tariff League.

When I came to Washington in 1953 I was eager to see how our trade might develop under this program. It has developed substantially, as I think has been evidenced by the charts I have brought with me today and developed under the rules of the Reciprocal Trade Agreements Act.

A Secretary of Commerce, if he is to do an honest job, must do what he can to provide protection both for the company and the worker who makes products for export and the company and the worker who compete with the foreign producer.

In the light of this fact I have come to the inescapable conclusion that unless we walk a middle road in these trade matters our posture in the world will suffer and so will our trade.

This bill attempts to walk this middle road and to give life and expression to my conviction that if either the free trader or the protectionist wins the argument they both will lose.

Thank you, Mr. Chairman, that concludes my statement.

Senator KERR. Thank you, Mr. Secretary.

I would like to ask some questions.

You and the Secretary of State have used a figure of four and a half million American jobs. How do you get that figure?

Secretary WEEKS. The figure is arrived at, Mr. Chairman, by estimates and studies made by the Bureau of the Census and the Department of Labor.

I believe it was in 1947, was it not, that the last accurate rundown was made?

The projections since that date have been carried on on a sequential manner and this is the estimate of the number of people who are engaged in manufacturing goods for export, who are engaged in handling imports, the service trades and those who are also engaged in the first stage of manufacture of the imported raw materials.

Senator KERR. Well, then, what percentage of them would you estimate are employed by those engaged in or whose activities are connected with imports?

Secretary WEEKS. Do we have that breakdown?

We have these figures. United States employment attributable to foreign trade in 1956, exports: nonagricultural workers, 2,516,000; agricultural workers, 602,000.

On the import side: in transportation and distribution, 524,000; in the processing of imported materials, 858,000.

Senator KERR. That total is how much?

Secretary WEEKS. Four million five hundred thousand.

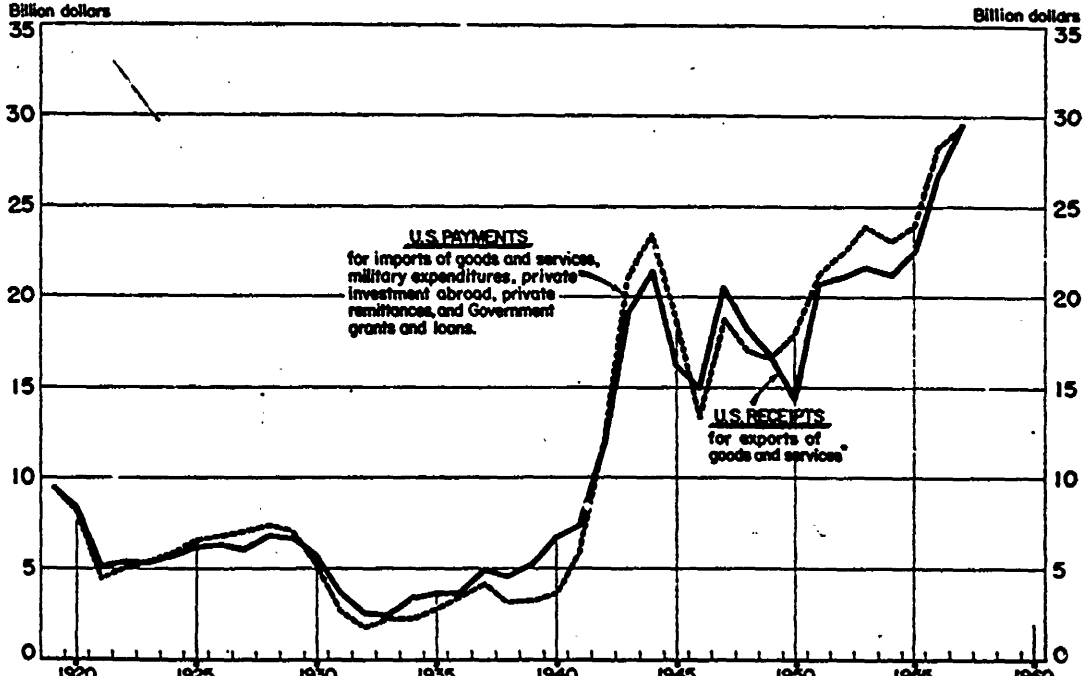
Senator KERR. I would like you to put in the record the authentication of those figures.

Secretary WEEKS. Yes, sir; we will do that.

(The Secretary of Commerce subsequently forwarded to the committee for insertion in the record the following further statement on a point raised by Senator Kerr:)

(The charts referred to are as follows:)

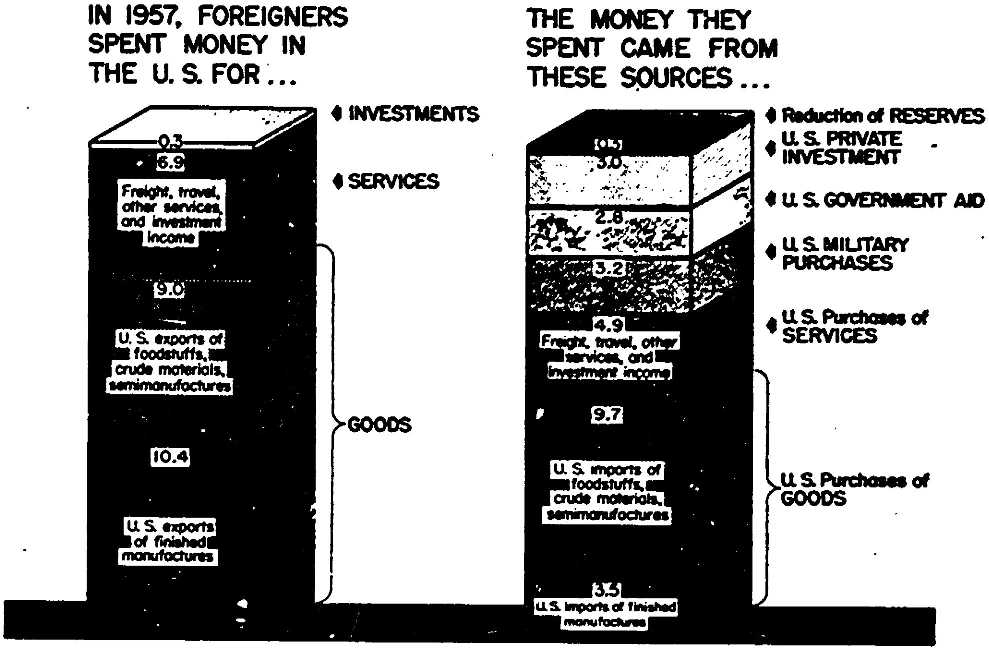
UNITED STATES
INTERNATIONAL PAYMENTS AND RECEIPTS



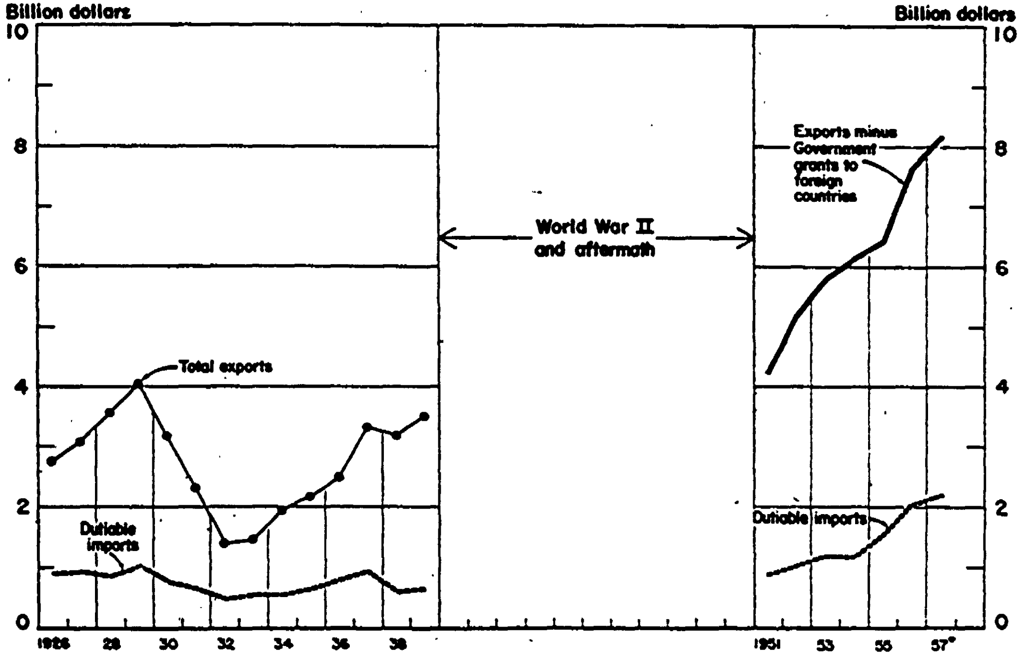
* Includes also relatively small amounts of estimating errors and omissions, the bulk of which are believed to consist of unrecorded receipts.

U.S. Department of Commerce.

U. S. Balance of International Payments (Billions of Dollars)



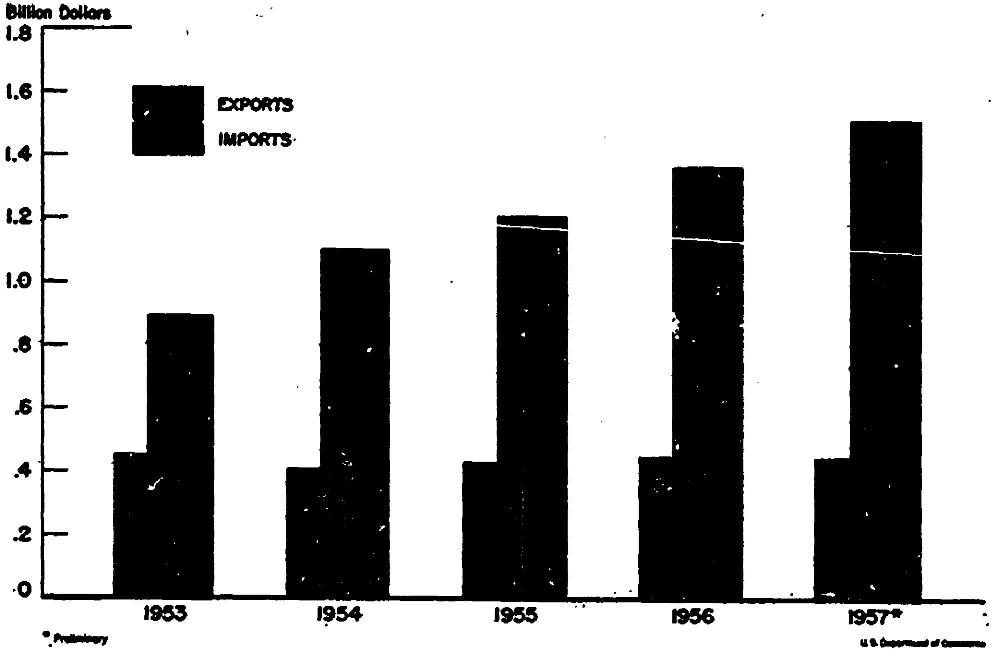
UNITED STATES EXPORTS AND IMPORTS OF FINISHED MANUFACTURES
(CONSTANT 1956 DOLLARS)



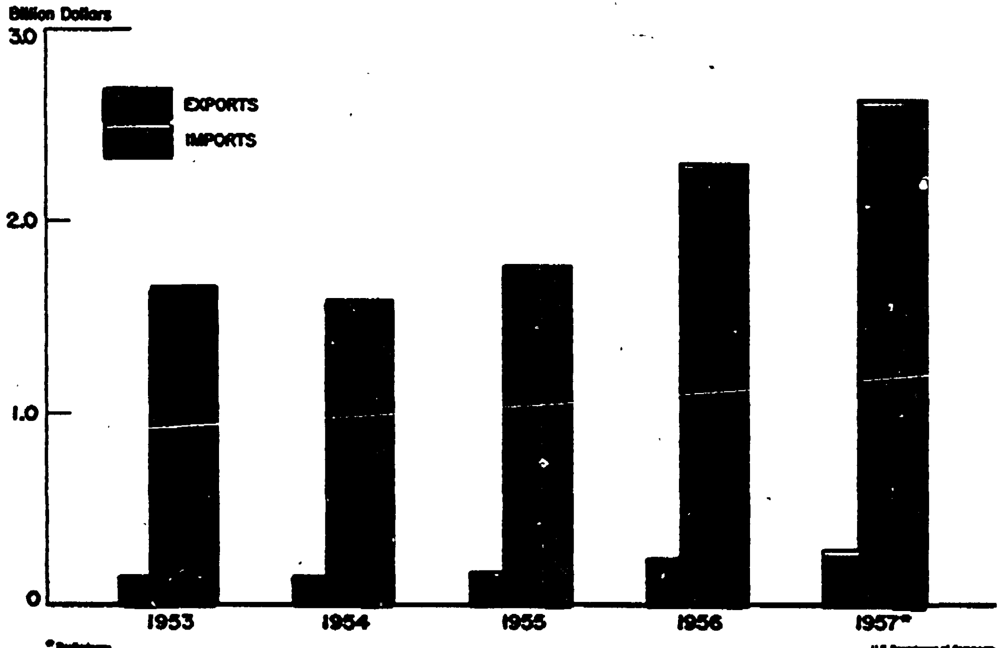
*Preliminary

U.S. Department of Commerce

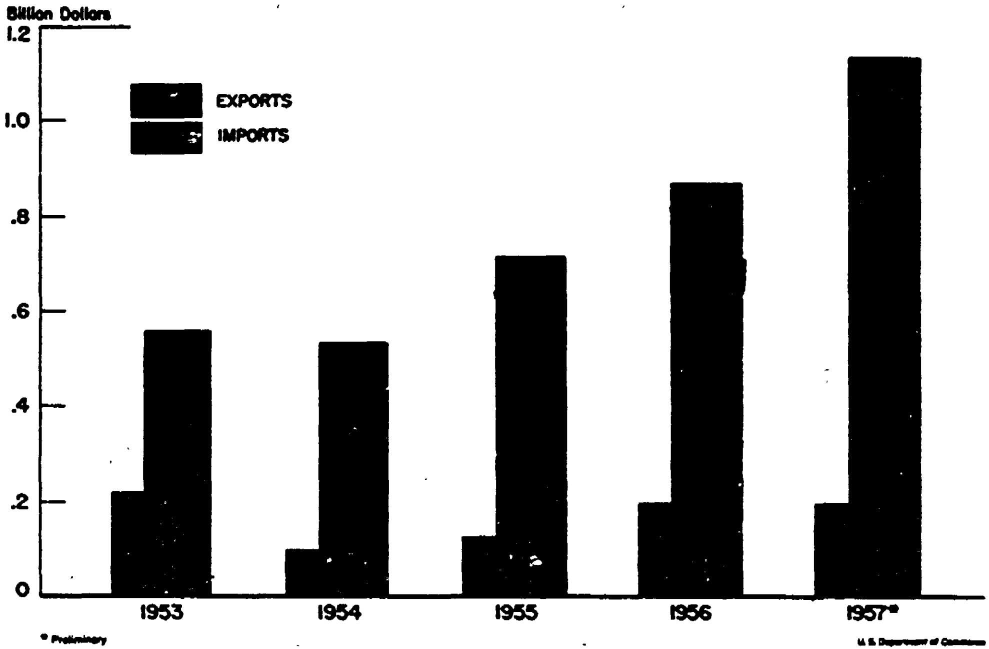
CHEMICALS AND ALLIED PRODUCTS



INDUSTRIAL AND BUSINESS MACHINERY

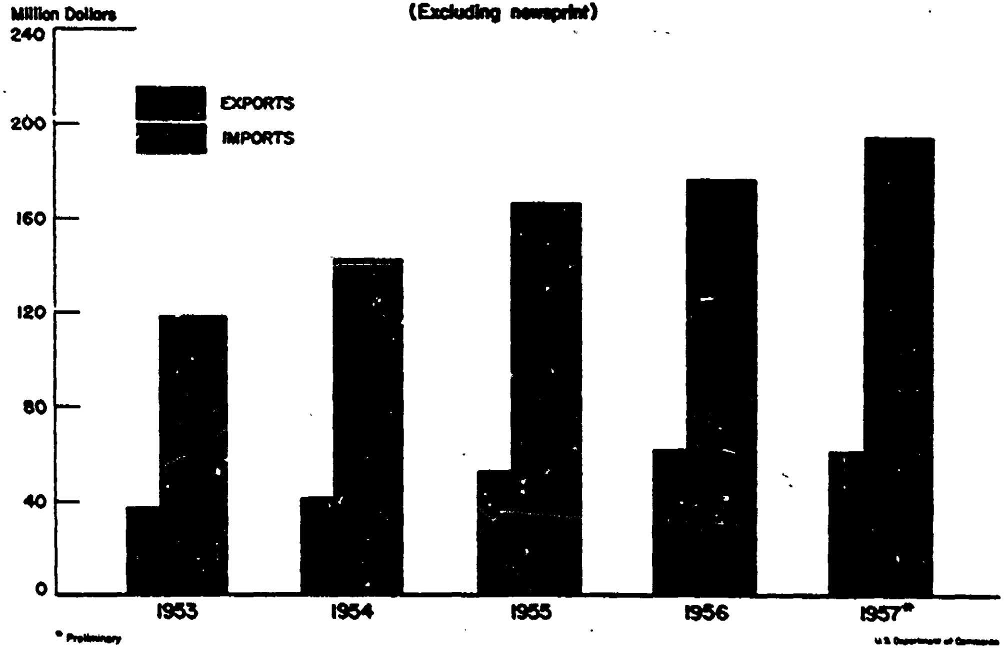


IRON AND STEEL-MILL PRODUCTS

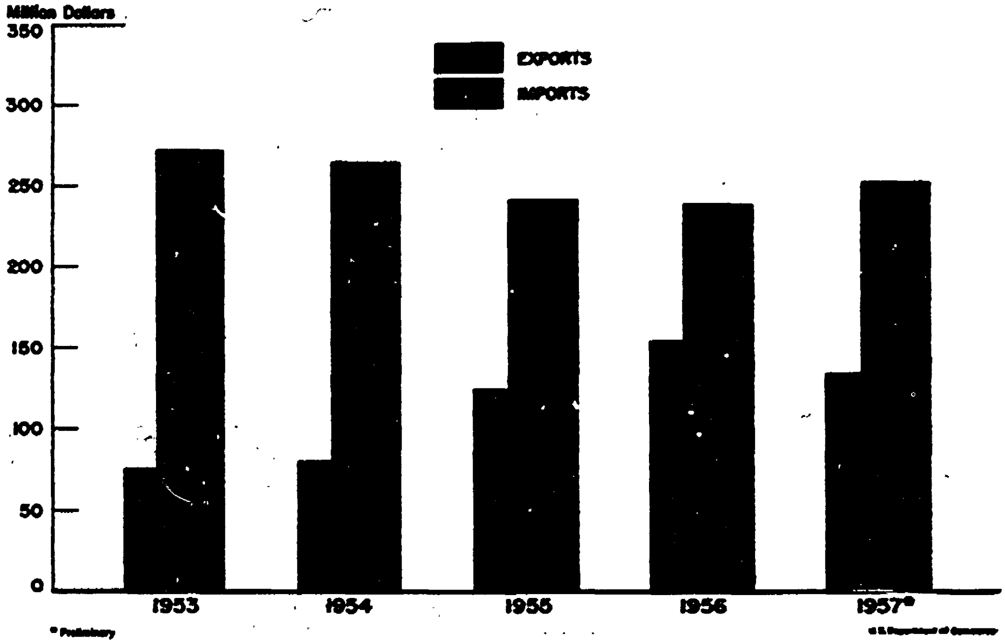


PAPER AND PAPER PRODUCTS

(Excluding newsprint)



COTTON MANUFACTURES



(Extract from Employment, Wages, and Foreign Trade)

A STUDY SUBMITTED BY THE DEPARTMENT OF LABOR TO THE SUBCOMMITTEE ON FOREIGN TRADE POLICY OF THE HOUSE COMMITTEE ON WAYS AND MEANS IN SEPTEMBER 1957 [1]

INTERNATIONAL TRADE AND DOMESTIC EMPLOYMENT

The most recent analysis of the effects of United States foreign trade upon domestic employment was made by the Department of Labor for the Commission on Foreign Economic Policy (the Randall Commission) and was published in the staff papers of that Commission. This study indicated that in 1952 approximately 4¼ million workers in the United States owed their jobs either to making goods for export, processing imported raw materials and semimanufactured goods, or transporting and distributing imported commodities.[2] On the basis of the growth in foreign trade which has occurred since 1952, the [Labor] Department now estimates that in 1956, this number had increased to about 4½ million workers:

United States employment attributable to foreign trade in 1956

1. Exports:	
Nonagricultural workers	2,516,000
Agricultural workers	602,000
2. Imports:	
Transportation and distribution	524,000
Processing imported materials	858,000
Total	4,500,000

A comparison of the components of the 1956 estimate with that for 1952 indicates that there was an increase of over 360,000 workers in making manufactured goods for export and over 130,000 workers in handling and processing of imports. This total gain of almost half a million workers has been partially offset by a drop of 265,000 agricultural workers, leaving a net gain of approximately 225,000 jobs in the 4-year period. The decrease in agricultural employment reflects both the increase in productivity of farm labor and the shifts in the pattern of agricultural exports among individual commodities.

Senator KERR. In your statement you give us some specifics of percentage of the Nation's output in certain fields that have been exported.

Based on the information you have and the charts you have shown, what percentage of that is related directly or made possible in part or entirely by our foreign aid program?

Secretary WEEKS. The large chart, the exports of finished manufactures, the exports represented by the red line on the right, they have no Government participation in any way, shape, or manner.

Now, in the separate industry charts, Mr. Blackwell, can you answer the question, are they also completely free from——

Mr. BLACKWELL. No, sir; the separate industry charts contain the total exports in each case.

Secretary WEEKS. But the difference in total would be between 8 billion on this chart and on the block charts it is about 10 billion.

Mr. BLACKWELL. Ten and a half billion.

Secretary WEEKS. So that you might—8 billion is finished manufactures—hold that up for a minute—is without Government participation, and last year on the block chart it shows sales. Put your block chart up there.

Senator KERR. Put it back up there.

[1] Published in the Compendium of Papers on United States Foreign Trade Policy for the use of the Subcommittee on Foreign Trade Policy of the House Committee on Ways and Means, p. 761 (1957).

[2] Staff papers of the Commission on Foreign Economic Policy, U. S. Government Printing Office, February 1954, pp. 373, 374. As originally published, the estimate was 4.4 million workers, but the estimate of agricultural workers was later revised.

Secretary WEEKS. It shows sales of 10,400 million.

The difference is roughly $2 billion.

Senator KERR. I am trying to reconcile that twenty-six-billion-something total there with your statement on page 2; 1957 was our peak trading year to date with exports of manufactures, raw materials, and foodstuffs totaling $19¼ billion.

Secretary WEEKS. That is the two lower blocks on the left-hand side marked "Goods."

Senator KERR. I am still trying to get in my own mind a clear picture of what that freight, travel, other services, and investment income means.

Secretary WEEKS. We sell goods and services, and the goods total——

Senator KERR. Well, do you sell goods that are not manufactured?

Secretary WEEKS. Oh, yes; semimanufactured and raw materials and foodstuffs

Senator KERR. No; they are neither foodstuffs nor raw materials. That blue there——

Secretary WEEKS. That blue there, the services you sell. They are—we buy freight, or sell freight services, our travel abroad and in this country.

Senator KERR. What freight services, Mr. Secretary?

I am not disputing it but I am just trying to understand it.

Secretary WEEKS. Well, ocean freight charges, one way and another, what they would charge us for carrying products of the foreigner for carrying goods, their goods, in our own bottoms.

That would be the freight, ocean freight.

Travel involves the travel of our people abroad——

Senator KERR. That would not be an export, would it?

Secretary WEEKS. That is what they paid us on this side. The travel is what we pay them, part of that 4,900 million.

Senator KERR. You mean we have more tourists from them than they have from us?

Secretary WEEKS. Oh, yes. We had nearly $2 billion of tourism.

Mr. BLACKWELL. No, sir, not just on tourism. We pay more in tourism alone than they do. But this includes all of the other invisible services, the blue bar.

Secretary WEEKS. But on tourism alone our people spend much more abroad than their people spend in this country.

Mr. BLACKWELL. Yes.

Senator KERR. That is what I thought, yet the freight travel and other services and investment of our exports is nearly——

Secretary WEEKS. It is six billion, nine.

Senator KERR. And yet we have a lot more people over there than we have over here.

Secretary WEEKS. Yes, but investment income on the left-hand side, what they owe us is a substantial item servicing private investments and so on.

Senator KERR. There is not any way in the world for them to get a dollar to spend over here unless we buy a dollar's worth from them, loan them a dollar or give them a dollar, is there?

Secretary WEEKS. That is just as true as that—will you put up that first chart again?

It shows for 40 years——

Senator KERR. You say it is just as true, but is it true?

Secretary WEEKS. It is true. It is bound to be true.

What we have paid them over the years or what we have sold them, they pay us back, and those two lines follow almost identical——

Senator KERR. How much more benefit is it to this country as a whole to have dollar balances in foreign countries with which they can buy our goods than it is to have dollar balances in such foreign areas as Oklahoma and Texas and Arkansas and Louisiana with which they can buy your goods?

How much better is it for "other countries" than it is for "other States"?

Secretary WEEKS. Well, I can only answer that, Mr. Chairman, by saying that we have built up—there are many companies in this country——

Senator KERR. I grant that. I grant that, I am not disputing that.

Secretary WEEKS. Yes.

Senator KERR. I am just talking about the relative merit or worth or value of trade as between countries and as between States.

Secretary WEEKS. Well, I do not really myself think you can compare the two because we have to buy——

Senator KERR. Well, here, you know that for instance, right now, in Texas an oil producer can only produce his oil well 8 days a month.

Secretary WEEKS. Is it eight now?

I thought it was nine.

Senator KERR. That nine order is for next month.

You ought to keep current on this. And that is not K-e-r-r-e-n-t. [Laughter.]

How much more is it worth to this country to spend dollars for oil, let's say, in Saudi Arabia or Iraq or Venezuela than it is to spend that same dollar for oil in Oklahoma or Texas or Arkansas or Louisiana?

Secretary WEEKS. Well, I believe, myself, if you could completely take a country and completely isolate it your theory might work out satisfactorily. But we have to trade. We have many raw materials that we have to buy and to bring into this country, and——

Senator KERR. Mr. Secretary, you are engaging in an old senatorial custom known as evasion—detouring and filibustering and that is all right.

Secretary WEEKS. I do not mean to.

Senator KERR. How much more valuable is it to send a dollar to Venezuela for oil insofar as our total economy is concerned than it is to send that same dollar to Oklahoma and Texas?

Secretary WEEKS. Well, I think when you send a dollar or wherever you send it to, if you get value received if you can get a better value here than there——

Senator KERR. Let's say you get the same identical product, the same amount. Is it worth more to increase your dollar trade balances in favor of a foreign country or of a domestic area?

Secretary WEEKS. Well, I do not think I can answer your question.

Senator KERR. I do not think so either.

Secretary WEEKS. Because it ties right into every relationship that we enjoy with other countries.

Senator KERR. If you want to go on that, let's tie it into some relationships.

Let's say that an oil producer in Texas that has a hundred thousand barrels of oil to sell, if he sells it there he has got to pay somebody there to produce it, hasn't he?

Secretary WEEKS. Yes, sir.

Senator KERR. If he makes any money there he is going to pay taxes there, isn't he?

Secretary WEEKS. Yes, sir.

Senator KERR. Now the same thing is true if somebody in Venezuela has a hundred thousand barrels of oil to sell.

Secretary WEEKS. Yes, sir.

Senator KERR. He has got to pay somebody there to produce it. He has got to pay taxes there.

Secretary WEEKS. Yes.

Senator KERR. He has got to engage in activities there which build a local community and a national economy hasn't he?

Secretary WEEKS. Yes, sir.

Senator KERR. Those are all related matters, aren't they?

Secretary WEEKS. Yes, sir.

(The following supplemental statement is submitted for insertion at this point following Secretary Weeks' reply.)

In considering the effect of buying a given amount of petroleum from a domestic source or from abroad, there are at least three different aspects of the matter which must be separately discussed.

(1) The effect on the national security.

(2) The effect on the level of activity and prosperity of the domestic petroleum-producing industry.

(3) The effect on the economy as a whole.

The first two considerations relate to the special effect of the action on the American petroleum industry, while the third relates to its economic effect in the economy as a whole as distinct from the particular effects in the petroleum field

1. EFFECT UPON THE NATIONAL SECURITY

The question of whether, solely from this standpoint, it is preferable that a given amount of petroleum be purchased domestically or imported depends upon a detailed examination of the levels of activity in domestic petroleum production, the relation of domestic and foreign capacity to probable national defense requirements, and the consequent effect of domestic purchases versus imports upon the ability of the economy to meet mobilization requirements. The "national security provision" (sec. 2 of the act of July 1, 1954) provides for the investigation of such questions and the adoption of measures necessary to insure that imports of any product do not impair the national security. In the case of petroleum, this section has been invoked and the President, acting on the recommendations of a Cabinet committee which studied the question, has imposed limitations on petroleum imports in order to protect the national security.

2. COMMERCIAL DAMAGE TO DOMESTIC PETROLEUM INDUSTRY

The "escape clause (sec. 7 of the Trade Agreements Extension Act of 1951) provides procedures by which any industry which believes it is threatened by serious injury as the result of imports resulting from trade-agreements concessions may apply to the United States Traiff Commission for relief. The petroleum industry has to date not made application under the escape clause but if at any time it believes that the level of imports of petroleum threaten such damage, it would be free to do so. (Such an application was filed in 1949 under an earlier procedure then in force. The 1949 application was dismissed by the Tariff Commission after preliminary inquiry.)

3. OVERALL EFFECT UPON NATIONAL ECONOMY

Over and beyond the questions covered in (1) and (2) above, is the question of how, independent of the particular effects on the domestic petroleum industry, the national economy is affected when a given amount of petroleum is imported or when it is purchased. It has been pointed out in this connection that a purchase of petroleum from domestic sources results in the domestic petroleum producer employing labor, paying taxes, and otherwise contributing to the development of the domestic economy. It would be quite incorrect, however, to assume that if the petroleum were imported rather than purchased domestically there would be no similar results. The fact is that when petroleum is imported, the dollars earned by the nation selling the petroleum are in turn used to purchase United States exports. The producers of the United States goods exported in turn employ labor, pay taxes, and otherwise contribute to the development of the United States domestic economy in exactly the same fashion as the domestic oil producer. Thus a buyer's choice between domestic purchase and import does not make any difference as far as the end result of domestic United States employment, production, and economic activity are concerned. This takes place in either case. The buyer's choice will, of course, affect the question of what type of labor is employed, what type of product is made, and conceivably in what part of the nation this economic activity takes place. In the case of a domestic purchase of petroleum the employment and other effects would occur in oil-producing regions and in the petroleum industry. In the case of a decision to import, these effects may be felt by United States farmers, United States machinery producers, or other United States industries, depending entirely upon the type of export which the oil-producing foreign country chooses to purchase in the United States with the money received from its oil sales.

In the long run, in a free-enterprise economy such as the United States, the buyer's decision as to whether he purchases domestically or imports will largely depend on which source supplies him at the lowest cost. If the domestic producer is the more economically efficient, he will get the business and if not, there will be a long-run tendency, subject to appropriate levels of tariff protection, for the overseas producer to get the business. If the domestic producer gets the business, then the expansion of the United States domestic economy will take place in his industry. If on the other hand the foreign producer gets the business, then the expansion of United States industry resulting from the import will take place in those United States industries which are, by virtue of their economic efficiency in the best position to compete for export sales to the foreign country.

Subject to the special safeguards described in (1) and (2) above, to prevent serious injury to a domestic industry or a threat to national security, the overall interest of the United States economy is better served by the expansion of efficient United States firms and industries than it would be by the expansion of less efficient United States industries when the latter takes place at the expense of inhibiting such expansion by our more efficient industries.

Senator KERR. Which is the better to do, to build it in Venezuela or in Texas or Oklahoma or Arkansas or in Louisiana?

Secretary WEEKS. I think it is better to do—and we are confronted with facts as they are, I think——

Senator KERR. Well, now, one of the facts you are confronted with is this: that a Texan is allowed to produce 8 days a month, at an average rate of 13 barrels a day per well.

Can you multiply 8 by 13?

Secretary WEEKS. Yes, sir; I can.

Senator KERR. How much is it?

Secretary WEEKS. 104.

Senator KERR. 104 a month.

In Venezuela the average is over 150 barrels a day and he produces every day.

Can you multiply that?

Secretary WEEKS. 150 barrels a month.

Senator KERR. A day.

Secretary WEEKS. A day, and he produces every day.

Senator KERR. Yes.

Secretary WEEKS. Well, that sounds to me like about 4,500 barrels.

Senator KERR. That is right.

Now in Saudi Arabia and Iraq it averages about 5,000 to 6,000 barrels a day, and he produces every day.

Do you know how long it would take a Texas operator to produce a well that would get as much oil out if it to send into this country as one of those wells do in a day?

Secretary WEEKS. Not offhand; no, sir.

Senator KERR. Well, you said it was 104 barrels a month.

Secretary WEEKS. Yes.

Senator KERR. How many months will it take him to produce what they produce over there in a day? About 40 or 50 months?

Secretary WEEKS. Yes.

Senator KERR. Four or five years?

Secretary WEEKS. Well, this, Mr. Chairman——

Senator KERR. Do you think, that is a wholesome result for a trade program?

Secretary WEEKS. Well, this, Mr. Chairman, everything in life is a question of degree and this is why——

Senator KERR. Well, I know there are those who say you can cut a dog's tail off an inch at a time and not hurt him as bad as if you cut it off all at once. You know it is question of degree.

Secretary WEEKS. This is why under section 7 a certification was made that the national security was in jeopardy, and the President called a committee together and appointed me Chairman and that is why they took the action.

Senator KERR. I am glad you took the action but I am trying to get you in your own mind and in your own words, to arrive at a conclusion and state which is a better thing for this country to increase its imports of oil from the Southwest or from foreign countries.

Secretary WEEKS. Well, I think that this country is today a creditor nation. I think the thing for us to do is to build the foreign trade.

Senator KERR. Well, there are $800 billion internal debt. There are a lot of creditors in this country and debtors, too; aren't there?

Secretary WEEKS. Yes, sir.

Senator KERR. Now is it any more important to relieve the situation of the debtor in a foreign country than in this country?

Secretary WEEKS. Well——

Senator KERR. I am talking about it as a contribution to the national economy.

Secretary WEEKS. Well, the import of your line of thought would carry you to a complete isolation from trade——

Senator KERR. No, no. I do not think so, but the extent of your thought would carry it to a total exclusion.

Secretary WEEKS. Exclusion of what, sir?

Senator KERR. Well, do you think that the present situation of 8 days a month for a Texas operator, at 13 barrels a day as compared to 30 days a month at 160 barrels a day for a Venezuelan well and operator is a situation that is equitable and properly adjusted?

Secretary WEEKS. Well, I am not able to say why——

Senator KERR. Wait a minute. You are Chairman of the Committee that decides that, and, therefore, I think we are entitled to know what you think about it.

Secretary WEEKS. Well, the Committee——

Senator KERR. I think the President has put a pretty good man in charge, and I am trying to demonstrate it.

Secretary WEEKS. Thank you, sir.

Senator KERR. But I cannot do it if you tell the committee you don't know.

Secretary WEEKS. We have got a man here, my Assistant Secretary, Mr. Mueller, who knows, if I do not. But let let me——

Senator KERR. You mean he knows whether you know or not? What do you mean by that?

Tell us, does the Secretary know?

Mr. MUELLER. He certainly knows.

Senator KERR. I thought he did, too, and that is the reason I have given him an opportunity to tell us.

Mr. MUELLER. May I help you, sir?

Secretary WEEKS. Go ahead.

Senator MALONE. What is his name?

Senator KERR. Mueller. Identify yourself.

Mr. MUELLER. I am Assistant Secretary of Commerce for Domestic Affairs.

Senator KERR. That is commercial affairs.

Senator MALONE. I knew somebody had a hold of it, but I did not know who.

Mr. MUELLER. You posed, first, a question of why would not it be better.

Senator KERR. I did not ask you why. I just asked him if it were. I asked him which was better, to fix it so that the oil producer in the Southwest would import more oil into the rest of the country or the importer in a foreign country; which is better for the American economy.

Mr. MUELLER. I don't think you can answer it categorically.

Senator KERR. Well, if you cannot, you said you were going to.

Mr. MUELLER. No; I said I was going to answer——

Senator KERR. The Secretary was in the posture of being unable to answer it. If you are in the posture of being unable to answer it, how are you helping him?

Secretary WEEKS. I will answer it this way, if I may. I will say this: As I said before, everything in life is a question of degree. We cut down, on a voluntary basis, we endeavored to cut down the imports of crude to 12 percent of the production in this country, and this we did last summer, and we pulled back the total again in March of this year.

Senator KERR. Mr. Secretary, are you telling this committee that the foreign imports are only 12 percent of the total domestic?

Secretary WEEKS. Of the crude production; yes, sir.

Mr. MUELLER. Crude.

Senator KERR. Have you got figures of what they are?

Mr. MUELLER. The crude production right now is about 6½ million barrels a day.

Senator KERR. But he said last summer——

Secretary WEEKS. And again I was about to say that we made another study and another recommendation on March 25 of this year. We held to the same percentage, and we reduced the imports, on a voluntary basis, from about 771 to about 713.

Mr. MUELLER. In regions 1 to 4.

Secretary WEEKS. And in regions 1 to 4.

Senator KERR. Well, this is the whole country.

Secretary WEEKS. No; that is all except the Pacific coast.

Senator KERR. I say this is a total country, is it not?

Secretary WEEKS. Yes, sir.

Senator KERR. You see, your 12-percent figure is not accurate, if I know anything about it. Imports last week of crude products was 1.5 million barrels. Mr. Mueller.

Mr. MUELLER. That includes residual——

Senator KERR. That is oil and products.

Mr. MUELLER. That is right, sir.

Senator KERR. What was the domestic production?

Mr. MUELLER. Six and a half million.

Senator KERR. What relationship is 1.5 to 6½?

Mr. MUELLER. I appreciate that.

Senator KERR. What relation is that 15 to 65? It is approximately—well, I would say——

Secretary WEEKS. Twenty-three percent.

Mr. MUELLER. Twenty-three percent.

Senator KERR. But that is not 23 percent.

Secretary WEEKS. I said "crude."

Senator KERR. You said you just recently made it effective as a product.

Secretary WEEKS. Well, more recently, I said that last summer we set the basis at 12 percent imports of crude production, then in March of this year——

Senator KERR. But, you see, on that 12 percent——

Secretary WEEKS. We pulled back.

Senator KERR. That 12 percent?

Secretary WEEKS. What is that?

Senator KERR. That 12 percent was only east of the mountains.

Mr. MUELLER. That is correct.

Secretary WEEKS. In districts 1 to 4. The other districts were handled separately.

Mr. MUELLER. Region 5 is a deficit area. Region 5 does not, with 30-day production, produce enough crude oil for its entire requirements. Region 5 only produces——

Senator KERR. I am not fussing about that, but just trying to get the information into the record accurately.

Secretary WEEKS. All right.

Senator KERR. Do you think that ought to be done?

Secretary WEEKS. I appreciate that, sir; yes.

Senator KERR. So that one who is just as uninformed as I am might reasonably become just as informed as you are?

Mr. MUELLER. We will insert the complete record into the record, if you desire, the complete calculations on which it is based.

(The Secretary of Commerce subsequently forwarded to the committee for insertion in the record the following statistical data on a point raised by Senator Kerr:)

[Thousands of barrels per day]

	1950	1951	1952	1953	1954	1955	1956	1957
Districts 1, 2, 3, and 4:								
Crude production	4,609	5,187	5,274	5,466	5,307	5,834	6,209	6,244
Crude imports	[1] 487	[1] 491	541	570	606	680	755	737
Residual imports, excluding bonded	265	234	200	283	285	340	358	365
Other products imports, excluding bonded	34	25	27	24	37	45	49	61
District 5:								
Crude production	898	971	982	1,000	975	972	951	931
Crude imports	....	....	32	78	51	93	179	200

[1] Total United States imports.

NOTE.—Product imports to district 5 have been virtually nil. That is, in 1957 they averaged 2,000 barrels per day of residual and 5,000 barrels per day of other products, and this was higher than other years. Because of this and the difficulty of segregating product imports by districts, all product imports are shown for districts 1 through 4. So, in effect, imports are total United States, rather than district.

Senator KERR. Now, then, you have made this statement.

Now do you suppose he has answered my question: Which is better for the economy in this country, to increase the importation of oil from foreign countries or the importation into the rest of the country from part of this country?

Mr. MUELLER. I think it is reasonable to maintain the type of balance that we are maintaining, if I may answer your question.

Senator KERR. How much local tax is there paid on that foreign import in this country?

Mr. MUELLER. There are no local taxes paid; there are taxes paid——

Senator KERR. How much Federal taxes are paid?

Mr. MUELLER. But on the——

Senator KERR. I say, how much Federal taxes are paid?

Mr. MUELLER. Well, that you would have to figure out the corporate taxes on those who import it and it would be very difficult to figure it out.

Senator KERR. Don't you know as a matter of record that their foreign tax credit is of sufficient amount that they have no tax liability to this country on that?

Mr. MUELLER. If the corporate taxes are paid in this country on the distribution of that particular foreign oil.

Senator KERR. I say, don't you know that insofar as the profit made on the production of that oil there are no taxes paid in this country?

Mr. MUELLER. There are some taxes paid.

Senator KERR. By whom?

Mr. MUELLER. By the corporations that are importers.

Senator KERR. Have you looked into that? This is the Finance Committee, and we have had the evidence here before this committee, and the evidence as adduced here is that the foreign tax credit is of sufficient amounts that insofar as profit on importation of crude oil is concerned, there is no profit taxable in this country.

Mr. MUELLER. You have had that information, sir.

Secretary WEEKS. Mr. Chairman, this balance we sought to achieve and so recommend to the President was intended not to put a total embargo on the import of crude.

Senator KERR. I don't think there should be, you see.

But that is still a detour.

Would you be willing to answer the question: Which is worth the most to this total economy to increase the purchase of oil from domestic sources or foreign sources?

Secretary WEEKS. Well, I think the way it is being handled at the present time is the best for our economy.

We have tried to set a reasonable balance taking everything into consideration.

Senator KERR. Well, but now ——

Secretary WEEKS. If the balance is wrong ——

Senator KERR. Let's leave the virtue or lack of virtue for that situation for just a moment and discuss the abstract problem. If we are going to have an additional consumption in this country, is our total economy better with sources of domestic production or foreign production?

Secretary WEEKS. You are talking about oil alone?

Senator KERR. I am at the moment. I am going to apply it to some other things if I can ever get off of dead center on this.

Secretary WEEKS. I think the way we are doing it now is the way to do it.

Otherwise, I would not have made that recommendation to the President.

I am not infallible. I could be wrong.

Senator KERR. You here later in your illustrations told what a small percent in some instances of the total production or consumption in this country is represented by imports. Where is that?

Senator CARLSON. Page 5, I think. It shows the different items anyway.

Senator KERR. That is page 6.

Secretary WEEKS. Six, at the top.

Senator KERR (reading):

> And imports, such as they are, still range only between 2 and 3 percent of domestic production.

I wondered why in those illustrations you did not refer either to oil, lead, or zinc.

Secretary WEEKS. I cited the 4 or 5 illustrations.

Senator KERR. Is it possible the illustrations you used there are the ones that represent the situation where there is the smallest percentage of the consumption being imported?

Secretary WEEKS. I think the controversial areas of production——

Senator KERR. Some of the controversial areas.

Secretary WEEKS. Some of them. I wouldn't take them all.

Senator KERR. Could you tell the committee what percent of the total consumption of lead and zinc in this country is produced domestically and what percent is imported?

Secretary WEEKS. I do not have the figures myself. Do we have them here?

What percentage is produced domestically and what is imported?

Senator KERR. Of the total consumption. You mean with all this battery of talent they do not have that little tidbit of information?

Secretary WEEKS. I guess we have got it here if we can find it. If we haven't got it we can supply it for the record. I do not think we have it here, sir.

Senator KERR. Then I would like for you to supply that for the record, and also I'd like for you to supply for the record the percentage of the total consumption of oil and its products. Now not in districts 4 and 5 and not with reference to crude but the total consumption of oil and its products in this country.

What part of it is imported today, and give us that for each of the last 8 years.

(The Secretary of Commerce subsequently forwarded to the committed for insertion in the record the following statistical data on a point raised by Senator Kerr.)

Unmanufactured Lead: United States production, imports, consumption, and ratios of production and of imports to consumption, 1950 to 1957

[Quantity in 1,000 short tons]

	1950	1951	1952	1953	1954	1955	1956	1957 preliminary
United States production [1]	913	906	861	829	806	840	860	823
Imports for consumption, total	565	228	644	457	483	453	488	[2] 575
Dutiable	515	191	179	409	460	424	420	512
Free	50	37	[3] 465	48	23	29	68	63
Reported consumption [4]	1,238	1,185	1,131	1,202	1,095	1,213	1,210	1,138
Ratio of production to consumption (percent)	73.7	76.5	76.1	69.0	73.6	69.2	71.1	72.3
Ratio of imports to consumption (percent)	45.6	19.2	56.9	38.0	44.1	37.3	40.3	50.6

NOTE.—Primarily because of changes in Government stockpiles and in private stocks, as well as small amounts exported, the ratios of production and of imports to consumption do not, of course, necessarily add to 100 percent. In most recent years, the aggregate of domestic production and imports is for these reasons considerably in excess of reported consumption.

[1] Mine output plus lead recovered from all types of old and new scrap.

[2] Reflects heavy withdrawals from bonded customs warehouses during latter part of year in anticipation of possible duty increase as a result of governmental action. This was the reverse of the situation in 1951, when imports were postponed in anticipation of duty suspension.

[3] Duty on all imports was suspended from Feb. 12, 1952, to June 25, 1952, inclusive (Public Law 257, 82d Cong.).

[4] Represents all unmanufactured lead from primary and secondary sources consumed (put into process by industrial consumers) including lead in lead-containing alloys, lead in ores consumed directly in the manufacture of lead pigments and salts, and lead that went directly (without remelting) from scrap to fabricated products as reported to the Bureau of Mines.

Source: Basic data from Bureau of the Census and Bureau of Mines; 1950-56 as reported by the Tariff Commission in "Lead and Zinc" report to the President on Escape Clause Investigation No. 65, April 1958. Prepared in the Department of Commerce by International Economic Analysis Division, Bureau of Foreign Commerce, June 1958.

Unmanufactured zinc: United States production, imports, consumption, and ratios of production and of imports to consumption, 1950 to 1957

[Quantity in 1,000 short tons]

	1950	1951	1952	1953	1954	1955	1956	1957 preliminary
United States production [1]	949	906	976	843	745	819	894	783
Imports for consumption, total	407	334	699	698	666	603	729	[2] 951
Dutiable	394	286	99	654	630	570	627	882
Free	13	48	[3] 600	44	36	33	102	69
Reported consumption [4]	1,351	1,236	1,212	1,342	1,181	1,460	1,322	1,234
Ratio of production to consumption (percent)	70.2	73.1	80.5	62.7	63.1	56.1	67.6	63.5
Ratio of imports to consumption (percent)	30.1	26.2	57.7	52.0	56.4	41.3	55.1	77.1

NOTE.—Primarily because of changes in Government stockpiles and in private stocks, as well as small amounts exported, the ratios of production and of imports to consumption do not, of course, necessarily add to 100 percent. In most recent years, the aggregate of domestic production and imports is for these reasons considerably in excess of reported consumption.

[1] Mine output plus zinc recovered from all types of old and new scrap.
[2] Reflects heavy withdrawals from bonded customs warehouses during latter part of year in anticipation of possible duty increase as a result of Government action. This was the reverse of the situation in 1951, when imports were postponed in anticipation of duty suspension.
[3] Duty on all imports was suspended from Feb. 12, 1952, to July 23, 1952, inclusive (Public Law 258, 82d Cong.).
[4] Slab zinc consumed, the zinc content of ores consumed directly in the manufacture of zinc pigments and chemicals, and the recoverable zinc in all forms of old and new zinc bearing scrap (minus the zinc content of redistilled and remelted zinc to eliminate duplication) as reported to the Bureau of Mines.

Source: Basic data from Bureau of the Census and Bureau of Mines; 1950-56 as reported by the Tariff Commission in "Lead and Zinc" report to the President on Escape Clause Investigation No. 65, April 1958. Prepared in the Department of Commerce by International Economic Analysis Division, Bureau of Foreign Commerce, June 1958.

Petroleum and products: Continental United States production, imports, domestic demand and ratios of production and of imports to domestic demand, 1950 to 1957

[Quantity in million barrels]

	1950	1951	1952	1953	1954	1955	1956	1957 preliminary
United States production [1]	2,156	2,452	2,513	2,596	2,567	2,766	2,910	2,911
Imports, total [2]	310	308	349	377	384	456	526	573
Crude	178	179	210	236	239	285	342	373
Refined products (mostly residual fuel oils)	133	129	139	141	144	170	184	200
Total domestic demand	2,375	2,570	2,664	2,776	2,832	3,088	3,213	3,218
Ratio of production to domestic demand (percent)	90.8	95.4	94.3	93.5	90.6	89.6	90.6	90.5
Ratio of imports to domestic demand (percent)	13.1	12.0	13.1	13.6	13.6	14.8	16.4	17.8

[1] Crude petroleum production plus production of natural-gas liquids.
[2] Imports are for continental area of the United States, and unlike the regular foreign trade statistics compiled by the Bureau of the Census, do not include receipts into United States territories from foreign countries.

NOTE.—Primarily because of exports and changes in stocks the ratios of production and of imports to domestic demand do not, of course, add to 100 percent.
Source: Basic data Bureau of Mines and Bureau of the Census; 1950-55 as reported in petroleum chapter of Minerals Yearbook. Prepared in the Department of Commerce by International Economic Analysis Division, Bureau of Foreign Commerce, June 1958.

Senator KERR. Let's go to page 14 there.

I thought that you gave some very pertinent information there. I got from what you said there that you were uneasy that we could not preserve the progress made unless we had a more liberal program in the future than we have had in the past.

Secretary WEEKS. You mean liberal by ability to grant further reductions.

Senator KERR. Yes.

Secretary WEEKS. Mr. Chairman, I think that we have to have or should have——

Senator KERR. You said if we do not demonstrate to the world that we support the continuing reduction of obstacles to free world trade—and I take it that that means tariff barriers.

Secretary WEEKS. Tariff or other barriers, yes, sir.

Senator KERR (reading):

> If our failure to take action weakens our friends to the point where they will fall into economic independence on the Soviet bloc, we will have lost the crucial battle in the epochal struggle of our time.

Now we have had this program in effect for 24 years.

Secretary WEEKS. Yes, sir.

Senator KERR. And we have made some very considerable concessions.

Is it your opinion that the ones that we have made would prove ineffectual unless we not only continue them but increase them?

Secretary WEEKS. I think this world is changing pretty fast. This common market development is not uniquely applicable to the six Continental countries—England, the Scandinavian countries are moving closer together and other trading sections of the world show evidence of going in the same direction. This extension, if granted by the Congress, with the ability to make some further reductions which on the overall picture are inconsequential—our average rate overall on those items that pay a duty is down to slightly under 12 percent today, so that in any event you are not going to greatly reduce the overall average. But, for example, we want to make new trades and grant and receive new concessions, and we should have some flexibility in my judgment.

Senator KERR. Mr. Secretary, you are filibustering. I just asked you a simple question.

Secretary WEEKS. Well, I think we have to have——

Senator KERR. I just asked you if you thought that after 24 years of this program that we were neither going to be able to sustain the posture that we had achieved, the environment that we have developed nor improve it unless we give more concessions in the future than we have in the past.

Secretary WEEKS. To the extent of the permission we have asked for, yes, I think we should.

Senator KERR. That is more, isn't it?

Secretary WEEKS. Yes, sir.

Senator KERR. Now if you just carry that on into the future, how long is it going to be until we will have given it all.

Secretary WEEKS. I cannot forecast what would happen beyond the 5-year period.

Senator KERR. Can you forecast what will happen in the 5-year period?

Secretary WEEKS. I do not think you will see a great——

Senator KERR. I want you to tell me confidentially the Democratic nominee for President.

Secretary WEEKS. I am no prophet, my friend.

Senator KERR. It looks like a bleak outlook to me, if we were compelled to take the position that the only way we can hold the progress we have made is to continue to increase the concessions to

Europe. That looks to me like we are heading to the point of diminishing returns pretty fast.

Secretary WEEKS. I do not think when you look at that chart of the way our export trade has grown and the way our import trade has not grown——

Senator KERR. You have got to interpret that in the light of this first chart.

Secretary WEEKS. No; it has no relationship.

Senator KERR. Because while the import of one thing may not have grown, it evidently has grown disproportionately to others because there is still a balance.

There is still just as much of the imports as there is of the exports according to that.

Secretary WEEKS. Where is that?

Senator KERR. Right there.

Senator LONG. Excluding what we are giving.

Secretary WEEKS. That trade is growing continually.

Senator KERR. I know, but the relationship between the two is remaining the same, is it not?

Secretary WEEKS. Yes, sir.

Senator KERR. So that there are some commodities with reference to which we are being paid less, then there has to be more that are being paid more.

Secretary WEEKS. Every dollar of product we make in a mill or a factory that goes into that export line is good for this country, isn't it?

Senator KERR. I do not know. I am against any combine I "ain't in on." I'm against any trade program that Oklahoma is not in on.

Secretary WEEKS. Yes, sir.

Senator KERR. So I do not know how good it is for you boys up there, but I know how good it "ain't" for Oklahoma. That is what I'm worried about. And you will excuse me if I am a little provincial in my approach, won't you?

Secretary WEEKS. Yes, sir.

Senator KERR. But there is a balance there between expenditures and receipts, isn't there?

Secretary WEEKS. Yes, on the left-hand chart.

Senator KERR. Well, the one we are looking at there, the one that you just put up there.

He is holding it in his left hand.

Is that what you mean by the left-hand chart?

Secretary WEEKS. Yes.

Senator KERR. Take that next one, the right-handed one. Isn't there a balance there?

Secretary WEEKS. Yes, sir.

Senator KERR. There has to be, doesn't there?

Secretary WEEKS. Certainly.

Senator KERR. And a good deal of that increase is made possible by the Government aid, the United States military purchases, the United States private investment and loans, and United States purchases of services.

How much do they total there?

Secretary WEEKS. $26 billion.

Senator KERR. How much is the total?

Mr. BLACKWELL. About $14 billion.

Senator KERR. About $14 billion out of the $26 billion or $27 billion, isn't it? Over 50 percent?

Secretary WEEKS. Over 50 is what?

I didn't understand the first part of your statement.

Senator KERR. Of the total. The money they spent came from these sources.

Secretary WEEKS. The money they spent for our goods and services——

Senator KERR. Over half of it came from sources other than exports.

Secretary WEEKS. No, about a third of it. Over half came from what?

Senator KERR. Over half of what they spent came from sources other than what we paid them for what we bought from them.

Secretary WEEKS. No, that is not correct, sir. We bought from them $18 billion, and we sold them $26 billion, and the balance was made up by the $9 billion at the top in those 3 top blocks.

Senator KERR. They have to get the money from somewhere, do they not, Mr. Secretary?

Secretary WEEKS. Certainly.

Senator KERR. And they have to get it from us.

So if we do not buy something from them, we have either got to loan it to them or give it to them for them to have it, haven't we?

Secretary WEEKS. Yes, sir.

Senator KERR. Now let's talk about the term of this for a little while.

Secretary WEEKS. The what, sir?

Senator KERR. The term, these 5 years.

Several places here you told us why you had to have a 5-year extension.

You said you had to have a 5-year extension in connection with this European Economic—what-do-you-call-it—Community?

Secretary WEEKS. European Common Market.

Senator KERR. European Common Market.

You do not have to have it at all for that for 3 years, do you, Mr. Secretary?

Secretary WEEKS. Yes, I think we do.

Senator KERR. You and the Secretary of State both told us that you would not even start negotiating with them for 3 years.

Secretary WEEKS. But I would refer you to what I said on page 12:

> Why do we need authority?

Senator KERR. Let's go to page 12:

> Because it will take the European Economic Community the next 18 months or more to work out its proposed tariff rates.

They are not going to start negotiating with you until they work that out, are they?

Secretary WEEKS. That is right, sir.

Senator KERR (reading):

> When these rates are known, we in this country will have to work on our list of possible concessions to insure that we screen out any which might threaten interests of the United States.
>
> This will bring us well into 1961.

It looks to me, according to this statement, that insofar as that agreement is concerned, you are just getting information from now until 1961.

Secretary WEEKS. Yes; but this whole process is moving along, and we ought to take cards in this game and stay in it until the conclusions are reached.

Senator KERR. You do not even know whether it is table stakes or penny ante there.

Secretary WEEKS. That is why I want to keep a team on the field, until the game is over.

Senator KERR. I thought the team maybe was Congress. They are still going to be here.

Secretary WEEKS. Yes; but——

Senator KERR. And under the Constitution they are charged with the responsibility of regulation of foreign trade and commerce, aren't they?

Secretary WEEKS. If we are going to continue——

Senator KERR. I say aren't they?

Secretary WEEKS. Yes; they are.

Senator KERR. Don't you think that Congress in 1960 could look at what is going to be needed in connection with negotiations in 1962 or 1961 just as well as the Congress in 1958 can?

Secretary WEEKS. The Congress in 1958 or 1960 under the trade-agreement procedure will not itself make and negotiate the agreements. We have established procedures.

Senator KERR. Who has established procedures?

Secretary WEEKS. Delegated to the executive branch by the Congress.

Senator KERR. Who delegates it?

Secretary WEEKS. What is that?

Senator KERR. Who delegates it.

Secretary WEEKS. The Congress.

Senator KERR. Are you uneasy that the Congress in 1960 won't delegate?

Secretary WEEKS. No. I think this procedure will go along, but I think it will be a great mistake if you are going to continue reciprocal trade agreements not to continue——

Senator KERR. How many 5-year extensions have we had?

Secretary WEEKS. None.

Senator KERR. Now is the Eisenhower administration that much less able to cope with reality than any of these others?

You have told of what a marvelous success we have had here for 24 years, and they have never had a 5-year extension, have they?

Secretary WEEKS. That is correct.

Senator KERR. You boys are just as good as the rest, aren't you?

Secretary WEEKS. Better.

Senator KERR. Then I think maybe you would get along with a 6-month extension.

I think you are pretty good, too. I think you are pretty good, but I do not know why you would need a tool to work with that you never had before and nobody else ever had before, considering how much progress you have made.

Secretary WEEKS. In view of the developments in the world, and particularly in this common market area, and in view of the extreme desirability in my opinion of having more and more continuity in this program, I think 5 years——

Senator KERR. Did you ever hear the story about the Dutchman that lost the bull and he is telling the story and he says, "You know, I looked and I looked for that bull 60 days, and when I found him I found him in less than a minute."

Now you mean you have got to have a 5-year extension so as to get your confidence up so where in 3 years from now you will be able to negotiate.

Secretary WEEKS. I do not think we can do the job as far as the Common Market is concerned unless we have this 5-year extension.

I do not think we can do it as well.

Senator KERR. You know I have got more confidence in you than you have got in yourself.

Well, Mr. Secretary, you have been very kind and there are some things I want to congratulate you for, but I want you to look into the matter of the relative merit of increasing the purchase of all commodities, whether it is lead and zinc or fluorspar, of oil or textiles or manufactured glass domestically, and gage the relative worth to this economy of thus increasing the activities in our own economy not to the exclusion of, but on a basis that will permit them to make as much progress as the industries in other countries who seek greater and greater percentages of our domestic market.

Secretary WEEKS. Yes, sir.

Senator KERR. The Senator from Vermont.

Senator FLANDERS. Thank you, Mr. Chairman, Mr. Secretary, I noticed in your testimony that you went up where I went down.

You spoke about having been at one time president of a home-market club, and now you are appearing here in behalf of reciprocal trade treaties. As I told the Secretary, Mr. Dulles, this morning, at one time I occupied the platform at Constitution Hall with Charlie Taft, selling reciprocal trade treaties to an audience that overflowed that hall, believe it or not. And now I would be no longer prepared to do it, not because I have a closed mind on the matter but, as you know, I feel that certain questions need to be answered before we go all out on reciprocal trade.

I have sent you a memorandum.

I do not know whether you have a copy with you. If not, I will be glad to pass you a copy.

Secretary WEEKS. Yes, I have it here.

That is May 12?

Senator FLANDERS. That is the May 12 one.

Secretary WEEKS. Yes, sir.

Senator FLANDERS. I have changed Columbia to Harvard. It is a little nearer home. That is in connection with Professor Tausig. I think it is right he was Harvard rather than Columbia.

Secretary WEEKS. He certainly was.

I studied economics under him.

Senator FLANDERS. The document is that much better to that extent. Also my original one said 2 years. I changed it to 3. You will find those changes. I asked to have this put in the record this morning.

I have a number of questions of concern which I do not intend to go into with you in detail because I think it should be done by a commission well staffed with professionally competent experts and economists.

They might be be better than either you or me.

I do not know. I should hope they would be.

I would like to have put on the easel again that chart on cotton manufactures.

I want to use two examples. It is true in the free-trade theory on which reciprocal trade is based, great dependence was placed on American skill, know-how, inventiveness, organizational ability, and all connected with that. I do wish that this diagram had shown American production as well as American exports. Of course, it would have gone off the top of the chart. You couldn't do it on that scale. But in this industry we have a case where the modern methods of production are practically 100 percent American. They originated here.

The old spinning mule that was standard 50 or 60 years ago was replaced by the ring spinner. That is an American invention. The old loom in which the bobbins were changed by hand was working up to about 75 years ago was replaced by the Northrop loom made up in Massachusetts, your home State.

Furthermore, the management processes by which that automatic loom was changed from having an operator run 2 or 3 or 4 looms to where he was running 40 or 50 on standard goods, that is an American development.

The management end of it is. The whole thing is a tribute to American ingenuity, American experience, American managerial skill. And yet that industry, in spite of all we have put into it, is no longer safe. We have to come to arrangements with other countries in order to preserve our markets from them. That is I think the most extreme of the cases that we have met.

But what troubles me is that I feel that we are going to meet others, and many others, and that we need to look ahead.

Mr. Secretary, the position I am taking is that of a 3-year extension and the appointing of a commission particularly competent to look not merely at the past and the present but keep an eye on developments as they move into the future of competition, and to report to Congress in 1960. I am hopeful of two things. One is that I can sell that to this committee and sell it to the Senate, and the second is that it will not be too unacceptable to the administration.

Those are my two hopes.

Now is that a question? I do not know as that is a question.

Senator KERR. That is a very valid premise for questions, one of which, if the Senator from Oklahoma may be permitted to make a suggestion, would be, does the Secretary not agree?

Senator FLANDERS. That is right. That changes a speech into a question.

Secretary WEEKS. I'm sorry, Senator, I do not agree, and I hope to convince you to agree with me.

Senator FLANDERS. I am really very much concerned.

All these things are going on in an increasing scale all the time. Various industries, including my own old industry, the machine-tool industry, are finding it necessary to manufacture abroad in order to sell abroad, because they cannot sell abroad the machinery that they make here. Plants are being opened in England, in Belgium, in the Netherlands, and in other parts of Europe in order to be able to sell on better terms abroad than they can on those made here.

You have some figures there and I would like to get them.

Secretary WEEKS. May I spell them out for the record and then give you the record.

Senator FLANDERS. Yes.

Secretary WEEKS. I have some figures on the metal-cutting machine tools, metal-cutting tools for machine operations in forming and shaping types of metalworking machines, and on the exports of the first, metal-cutting machine tools, in 1953 we shipped abroad 118 million; in 1957, 107 million. Our imports were 30 million in 1953—I am reading round figures—and had dropped to 27 million in 1957. In the metal-cutting tools, the exports from 1953 to 1957 increased from 10 to 15 million and the imports from 1,300,000 to 2,400,000, and in the forming and shaping types, the exports increased in the 5-year period from 38 million to 65 million, and the imports increased from 7 million to 9 million.

What may happen in the future, that is in the lap of the gods, but we have kept, it seems to me, the figures indicate an excellent balance, and that would be supplemented by the chart I showed before.

Senator FLANDERS. That of course covered many types of metal-working machinery.

Secretary WEEKS. That covered industrial and office machinery, and this is just the three types listed there.

Senator FLANDERS. The 1953 still showed some influence from the Korean expansion of production.

Now let me see here, metal-cutting machine tools, imports in 1953 were very high.

I think we were still as I remember it at that time having some of the effects of machine tool shortages due to Korea, and in 1957 they still remained high.

The domestic demand was good at that time.

The exports have risen, as you say, went down slightly between 1953 and 1957, but still American machine-tool makers are building plants abroad, and it is my belief that in that industry at least and in others is a very much expanding situation.

In other words, the expansion in many lines of American industry is taking place abroad and not here.

Secretary WEEKS. The figures, Senator, on expansion of industry in this country would not seem to me to bear out that statement.

As far as plants abroad are concerned certainly there has been a great development in that area.

I, before I came here, was director of a company that has plants I think in about 15 or 18 foreign countries.

Senator FLANDERS. I do not think that is necessarily bad.

Secretary WEEKS. I think that is the process that is going on as we develop our posture in trade.

It will go on more and more.

Senator FLANDERS. But one of the things that wants to be investigated is whether our principal expansion is now taking place abroad rather than here.

I am inclined to think that there are many industries in which that is true.

I have been keeping in mind two industries.

One is the cotton textiles which has now reached the point where competition, open free competition, is impossible. Cotton textiles are there. Now there is another case which illustrates a type. It is a different kind of a case and I use it as a type. That is clothespins. Did you ever hear of clothespins?

Secretary WEEKS. Yes, sir.

Senator FLANDERS. There are two clothespin factories in Vermont. That is what directed my attention to that particular industry, and they have been for a long time meeting with European competition. The imports are growing.

In fact, the industry, just on a guess, I would say would require very large increases in tariffs to keep it from going under, and I am raising the question as to whether it ought to go under.

Under free-trade theory, American clothespins ought to disappear.

They cannot meet European competition without very greatly increased tariffs.

Now do you think that they should disappear, Mr. Secretary?

Secretary WEEKS. No, sir; I do not.

This you will recall is one of the escape clause recommendations of the Tariff Commission which the President acted upon favorably.

Senator FLANDERS. Yes.

Secretary WEEKS. In an increase of the tariff rate.

Senator FLANDERS. He did. And that was a good act if we concluded that the American-made clothespins ought not to disappear.

However, it was not sufficient. I am told that the percentage of the total purchases that are furnished by imports continues to increase, and so the industry may come again for further increase in duties.

What the industry would like, as I understand it, is anathema to the State Department, and that is a quota.

The quota is something we have been trying to get everybody else out of, but if we conclude that we would like to preserve the American clothespin industry—and that is a question—then it would seem as though a quota is a more satisfactory way to do it than the duties.

That is a real question as to preserving a given industry. What the reciprocal trade treaties do is to put in the hands of the Government the decision as to whether industry A is to go up or down, whether industry B is to go down or up, whether industry C is to go up or down. It is a very serious responsibility, and I want to have it studied with greater care than it has yet been studied.

Secretary WEEKS. May I throw in some figures on employment at this point?

Senator FLANDERS. Yes.

Secretary WEEKS. Somewhat in answer to your question. There are about 64 or 65 million people in the labor force of this country.

We think according to the statistics that are available about 4½ million are engaged one way or another in foreign and world trade, foreign trade.

Senator FLANDERS. Yes.

Secretary WEEKS. In or out.

Now I think it is interesting that in all of the escape clauses that have reached the President's desk, taking the employment in those industries at the top was 105,000. At the low point, presumably due to competition with foreign imports, it dropped 29,000 to 76,000.

Senator FLANDERS. I do not get the point.

Secretary WEEKS. In all of the escape clause cases that went to the President's desk, which covers 26 different commodities, the total employment in all of those 30 cases, 26 different commodities, because 1 or 2 of them went up twice, the total employment was 105,000.

At the peak, according to the records filed with the Tariff Commission, this employment dropped to 76,000.

Senator FLANDERS. Yes.

Secretary WEEKS. Cut down 29,000. Now of that 29,000, 13,000 was represented by cases the President acted favorably upon, and 8,000 by cases the President did not act favorably upon, and the other 8,000 are still pending.

Senator FLANDERS. Perhaps like clothespins he cannot act favorably enough.

Secretary WEEKS. The only point I make is that when I talk about a middle road in trying to build foreign trade and to build all the things that are a part of it, here we have 65 million people working in this country, 4½ of them in foreign trade, and in all of the escape-clause cases that have come to the President's desk at the peak only 105,000 were represented.

Senator FLANDERS. Well, that is a good record.

I could tell you, however, one way to raise employment in this country.

This is not the middle way, the median path. Let's raise bananas under glass. We will get our bananas that way and we will employ a lot of people. Now that is foolish, but what I am saying is that if we should make some of the things that we are buying abroad, that in turn would replace some of the employment of those who are now exporting.

That is not a principle to be followed, but it is something to remember. Employment would not necessarily cease if those people ceased to be employed on exports.

There is a balance there between the employment which we lose by not exporting and the employment which we might gain by not importing.

I do not want to argue that point or belabor it, but I do want to say that the memorandum I sent you was put in the record this morning, and I expect to refer to it when this matter comes up on the Senate floor, so that if you have any further thoughts in connection with it for my guidance, I would be glad to get them.

Secretary WEEKS. I have, Senator Flanders.

Senator FLANDERS. You sent me some material.

Secretary WEEKS. Yes, and I have a response to your memorandum which is fairly long and I will either file it for the record or give it to you personally.

Senator FLANDERS. I think, Mr. Chairman, I ask that this response to my memorandum to the Secretary be filed immediately after the point in the record in which the memorandum was placed this morning with a cross-reference back to it in the record from this conversation, here.

Senator KERR. Without objection, that will be done.

Senator FLANDERS. I think it would be advantageous to have the two together.

Secretary WEEKS. Yes.

(The Secretary of Commerce subsequently forwarded to the committee for insertion in the record on page 36 his reply to Senator Flanders' memorandum of May 12.)

(NOTE.—At the Senator's request this information has been inserted on page 36 of the hearing.)

Senator FLANDERS. That is all I have to say, at the present time, Mr. Chairman.

Senator KERR. Just one question here, Mr. Secretary. A number of times you have said here what the President did in carrying out the recommendations of the Tariff Commission. How many cases did you say had been acted upon by the Tariff Commission in which it made recommendations to the President?

Secretary WEEKS. Thirty.

Senator KERR. How many of those did the President carry out as recommended by the Tariff Commission?

Secretary WEEKS. There were 26 different commodities. Some of the commodities repeated so my figures are based on the 26 different commodity recommendations by the Tariff Commission. But of the 26, he favorably acted——

Senator KERR. I mean how many of them did he carry out the full recommendation of the Tariff Commission?

Secretary WEEKS. He acted favorably in 10 cases.

Senator KERR. You mean by that he took some action in 10 cases?

Secretary WEEKS. He took some action.

Senator KERR. Are you telling the committee that in 10 cases he fully carried out the Tariff Commission's recommendations?

Secretary WEEKS. I cannot say that he carried out the full recommendation. I will have to get that.

Senator KERR. Can you tell me in how many cases he carried out the full recommendation of the Tariff Commission?

Mr. KEARNS. The Tariff Commission divided in its recommendations in many of the cases.

Senator KERR. I am talking about the majority recommendations in the tariff cases.

When the Supreme Court carries out a decision you do not comply with it by complying with a minority report of one of the members.

Secretary WEEKS. We will have to run through the record.

Senator KERR. Now Mr. Secretary, I do not want to be at all lacking in the most complete consideration, but my information is that there were not as many as five of them in which he carried out the full recommendation of the majority of the Tariff Commission.

Now if I am in error in that, I would like to be corrected, and I think you would want the record to reflect the accurate condition.

Secretary WEEKS. May I cite the figures and run them all through just for a second?

In 10 cases he acted favorably.

Senator KERR. But you do not know how favorably.

Secretary WEEKS. Could I just finish?

Senator KERR. That is like if you lead a horse to where there was some water and he needed a peck and you give him a pint, you would not go away saying that you had watered the horse, would you?

Secretary WEEKS. No, sir.

Senator KERR. If you invited me to dinner you would not just feed me the soup and the salad and then say "Now you have had a good dinner," and that is all, would you?

Secretary WEEKS. No.

Senator KERR. You would not do that?

Secretary Weeks. No, sir, not to you.

Senator KERR. Now either tell us how many that the President carried out the recommendation as it was made or that you will supply it for the record.

Secretary WEEKS. We will supply it for the record.

Senator KERR. Now until you do, I think our discussion of it is not accurately illuminating.

Secretary WEEKS. I have got the whole record here and I will supply it for the record.

(The Secretary of Commerce subsequently forwarded to the committee the following further statement on a point raised by Senator Kerr.)

ACTION BY THE PRESIDENT ON TARIFF COMMISSION RECOMMENDATIONS IN ESCAPE-CLAUSE CASES

The Tariff Commission has sent a total of 30 escape-clause cases to the President with recommendations for action. Of these, the President has invoked the escape clause with respect to the following 10:

Women's fur felt hats and hat bodies (Oct. 30, 1950)
Hatters' fur (Jan. 5, 1952)
Dried figs (Aug. 16, 1952)
Alsike clover seed (June 30, 1954)
Watches (second investigation) (July 27, 1954)
Bicycles (second investigation) (Aug. 18, 1955)
Toweling, of flax, hemp, or ramie (June 25, 1956)
Spring clothespins (fourth investigation) (Nov. 9, 1957)
Safety pins (second investigation) (Nov. 29, 1957)
Clinical thermometers (Apr. 21, 1958)

In all but 3 of these 10 cases the full recommendations of the Tariff Commission were carried out. The exceptions were as follows:

ALSIKE CLOVER SEED

The 1930 duty rate on alsike clover seed was 8 cents per pound. The last trade agreement rate was 2 cents per pound. As a result of its escape clause investigation the Tariff Commission recommended (May 21, 1954) that a duty of 4 cents per pound be applied to the first 1.5 million pounds imported in any 1 year and a rate of 6 cents per pound be applied to imports in a quota year in excess of 1.5 million pounds. By a proclamation dated June 30, 1954, the President put this recommendation into effect for the period July 1, 1954, to June 30, 1955, except that the first 1.5 million pounds imported were allowed to enter at 2 cents per pound instead of 4 cents per pound.

The President directed the Tariff Commission to continue the investigation with respect to alsike clover seed and to submit to him a supplemental report indicating whether it considered the continuation of the tariff quota beyond June 30, 1955, to be necessary. On April 28, 1955, the Commission reported its finding that it was necessary to continue a tariff quota and that the annual quota should be 2.5 million pounds subject to a duty of 2 cents per pound with imports in excess of that quantity during any quota year subject to a duty of 6 cents per pound. By proclamation No. 3100 of June 29, 1955, the President put these recommendations into effect for the period July 1, 1955, through June 30, 1957.

On March 14, 1957, the President requested the Tariff Commission to determine whether and to what extent the tariff quota on imports of alsike clover seed would be necessary after June 30, 1957. The Commission recommended continuance of the arrangement specified in Proclamation No. 3100. On June 25, 1957, the President proclaimed these rates for the period July 1, 1957, through June 30, 1959, but increased from 2.5 million to 3 million pounds the annual imports on which the 2-cent per pound duty applies.

BICYCLES (SECOND INVESTIGATION)

The 1930 duty rate on bicycles was 30 percent ad valorem. Under a bilateral agreement with the United Kingdom effective January 1, 1939, this rate was reduced as follows: On bicycles, with or without tires, having wheels in diameter over 25 inches, to $2.50 each, but not less than 15 percent nor more than 30 percent ad valorem; over 19 but not over 25 inches, to $2 each, but not less than 15 nor more than 30 percent ad valorem; and not over 19 inches, to $1.25 each, but not less than 15 percent nor more than 30 percent ad valorem. These rates were continued under the General Agreement on Tariffs and Trade except that the rate of duty on bicycles with or without tires, having wheels in diameter over 25 inches, and weighing less than 36 pounds complete without accessories and not designed for use with tires having a cross-sectional diameter exceeding 1⅝ inches, was reduced to $1.25 each, but not less than 7½ percent nor more than 15 percent ad valorem.

As a result of an escape-clause application the Tariff Commission recommended (March 14, 1955) the application for an indefinite period of the following rates of duty: Bicycles with or without tires, having wheels in diameter: over 25 inches, a rate of $3.75 each, but not less than 22½ percent nor more than 30 percent ad valorem; over 19 but not over 25 inches, a rate of $3 each, but not less than 22½ percent nor more than 30 percent ad valorem; not over 19 inches, a rate of $1.87½ each, but not less than 22½ percent nor more than 30 percent ad valorem.

The President, by a proclamation of August 18, 1955, put all of the rates recommended by the Commission into effect except the rate on bicycles with wheel diameter over 25 inches, weighing less than 36 pounds complete without accessories and not designed for use with tires having a cross-sectional diameter exceeding 1⅝ inches. On this category the President proclaimed a rate of $1.87½ each, but not less than 11¼ percent ad valorem nor more than 22½ percent ad valorem.

SPRING CLOTHESPINS (FOURTH INVESTIGATION)

The 1930 tariff rate on spring clothespins was 20 cents per gross. The last trade-agreement rate was 10 cents per gross. As the result of an escape-clause investigation the Tariff Commission recommended (September 10, 1957) that imports of spring clothespins be limited, for an indefinite period, to an annual quota of 650,000 gross. The President decided not to apply an import quota but by a proclamation of November 9, 1957, he raised the duty on spring clothespins to the statutory rate of 20 cents per gross.

Of the 20 cases in which the President has not invoked the escape clause, 2 are still pending, other appropriate action was taken to provide relief in 3, and 2 others were earlier investigations on products with respect to which the President subsequently invoked the escape clause. The President decided to grant no relief in the remaining 13 (2 of which concern a single product).

Senator KERR. I have been asked to announce that the committee will meet in the morning at 10 o'clock and be in session until 1 o'clock.

Senator Anderson from New Mexico will be presiding and the Secretary of State will return at that time.

Senator Long will now question, and I wonder, Senator Malone, if you would come up here because when Senator Long is completed, then I would like for you to handle the meeting until it is recessed until 10 o'clock in the morning.

Senator MALONE. Senator Long, you may proceed.

Senator LONG. Mr. Secretary, one of the documents that I find helpful in studying this matter that is put out by your Department is a statistical report.

I think I saw a copy which one of your assistants has there. It shows the body of imports as against exports for 1953, 1956, 1957, and I would like to ask that that be made a part of the record at this point.

I think it would help us to find the information relating to these industries.

(The Secretary of Commerce subsequently forwarded to the committee for insertion in the record the following statistical report referred to by Senator Long:)

WORLD
TRADE
INFORMATION
SERVICE

Part 3, No. 58-9

United States foreign trade, commodity by area

annual 1953, 1956, 1957, and quarterly 1956 and 1957

THIS report presents annual and quarterly commodity statistics by geographic areas, supplementing the data published in World Trade Information Service reports, part 3, Nos. 58-6 and 58-8. Values of commodity exports to the world and to four leading areas of destination are given in table 1. Values of commodity imports, total and from principal areas or countries of origin, are in table 2.

The export figures exclude items designated "special category," on which security restrictions applied with respect to information by country of destination through 1956. Figures for certain items released for publication during 1957 will be incorporated in the forthcoming report, *Total Export and Import Trade of the United States, January-December 1957.*

For more detailed explanation of the statistics, see page 2 of the World Trade Information Service report, part 3, No. 58-5.

Table 1.—United States Exports of Principal Agricultural and Nonagricultural Commodities by Areas of Destination, Annual 1953, 1956, 1957, and Quarterly 1956 and 1957

(In millions of dollars)

Commodity and area	Annual			Quarterly							
	1953	1956	1957	Jan.-March 1956	April-June 1956	July-Sept. 1956	Oct.-Dec. 1956	Jan.-March 1957	April-June 1957	July-Sept. 1957	Oct.-Dec. 1957
Total, excluding "special category"	11,646.1	16,624.9	18,568.5	3,781.9	4,229.5	3,927.3	4,686.2	4,928.6	4,926.3	4,272.6	4,443.0
Canada	2,994.9	3,973.4	3,880.0	918.6	1,078.4	931.1	1,045.3	978.7	1,096.3	930.1	874.9
20 American Republics	2,921.4	3,689.5	4,466.7	885.5	913.2	884.8	1,006.0	1,037.9	1,126.0	1,106.3	1,196.5
Western Europe[1]	2,867.8	5,132.8	6,649.4	1,110.7	1,272.1	1,204.4	1,545.6	1,682.3	1,458.5	1,223.6	1,285.0

Southern, southeastern, and eastern Asia	1,734.2	2,317.8	2,912.0	455.2	577.8	562.2	722.6	815.5	823.0	633.8	639.7
Other areas	1,127.8	1,511.4	1,660.4	411.9	388.0	344.8	366.7	412.2	422.5	375.8	446.9
AGRICULTURAL											
Grains and preparations	1,059.0	1,341.2	1,372.2	267.6	355.5	335.3	382.8	399.7	371.4	294.5	306.6
Canada	21.7	23.9	25.6	3.0	3.0	4.6	13.3	4.9	7.3	5.1	8.3
20 American Republics	187.0	180.1	230.8	51.3	43.9	42.5	42.4	45.4	55.4	67.0	63.0
Western Europe	420.7	695.5	537.6	121.7	217.2	173.6	183.0	197.1	148.3	94.0	106.2
Southern, southeastern, and eastern Asia	344.7	316.3	463.9	50.1	52.2	93.4	120.6	125.2	139.6	110.8	88.3
Other areas	84.9	125.4	114.3	41.5	39.2	21.2	23.5	27.1	20.8	27.6	38.8
Oilseeds and vegetable oils	180.8	437.9	462.0	102.7	110.9	85.9	158.4	130.8	92.7	99.7	139.8
Canada	30.8	32.8	42.2	7.1	11.6	7.1	17.0	4.0	11.9	9.7	16.6
20 American Republics	13.3	60.3	28.8	19.0	9.7	14.7	6.9	11.0	4.3	6.6	6.9
Western Europe	61.1	272.0	278.9	58.3	65.7	46.2	101.8	90.8	57.0	57.7	73.4
Southern, southeastern, and eastern Asia	69.9	71.1	88.2	12.7	18.3	12.8	27.3	18.9	16.7	20.2	32.4
Other areas	5.7	21.7	24.9	3.6	3.6	5.1	5.4	6.1	2.8	5.5	10.5
Cotton, unmanufactured	521.2	729.1	1,058.8	85.1	157.3	166.6	320.1	365.3	273.8	172.2	247.5
Canada	40.9	30.1	43.3	2.3	3.3	7.6	16.9	18.3	12.8	7.1	10.1
20 American Republics	6.2	20.0	31.2	3.6	4.7	5.8	5.9	6.9	9.1	8.5	6.7
Western Europe	307.6	399.3	611.9	34.2	64.8	103.9	196.4	214.7	162.9	97.9	136.4
Southern, southeastern, and eastern Asia	157.2	262.5	325.7	42.1	80.2	45.3	94.9	124.4	80.5	47.3	73.5
Other areas	9.3	17.2	46.7	2.9	4.3	4.0	6.0	6.0	8.5	11.4	20.8
Vegetables and fruits	242.3	370.7	360.4	76.4	101.3	87.4	103.4	75.2	96.1	93.5	96.6
Canada	109.0	158.9	158.6	32.3	46.2	40.0	40.4	34.5	48.2	39.0	36.9
20 American Republics	55.9	52.4	56.9	11.1	9.4	12.6	19.3	10.0	10.3	15.9	20.7
Western Europe	54.7	134.3	117.2	26.8	40.4	28.6	38.5	23.2	29.7	32.1	32.2
Southern, southeastern, and eastern Asia	14.1	13.6	15.3	3.5	2.8	3.3	4.0	4.6	3.7	3.5	3.5
Other areas	8.6	11.5	12.4	2.7	2.7	2.9	3.2	2.9	3.2	3.0	3.3

Continued on next page

UNITED STATES DEPARTMENT OF COMMERCE • Sinclair Weeks, Secretary

BUREAU OF FOREIGN COMMERCE • Loring K. Macy, Director

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Table 1.—United States Exports of Principal Agricultural and Nonagricultural Commodities by Areas of Destination,

Annual 1953, 1956, 1957, and Quarterly 1956 and 1957—Continued
(In millions of dollars)

Commodity and area	Annual			Quarterly							
	1953	1956	1957	Jan.–March 1956	April–June 1956	July–Sept. 1956	Oct.–Dec. 1956	Jan.–March 1957	April–June 1957	July–Sept. 1957	Oct.–Dec. 1957
AGRICULTURAL—Continued											
Hides and inedible tallow	96.8	170.8	178.2	44.4	45.2	40.1	41.1	45.8	46.9	43.8	41.7
Canada	6.1	9.4	9.4	3.3	2.2	1.6	2.4	2.5	2.0	2.2	2.7
20 American Republics	9.1	19.4	15.3	5.3	4.5	4.2	5.4	4.6	3.0	3.2	4.5
Western Europe	40.3	85.1	89.3	22.9	22.9	19.0	20.3	23.2	26.0	18.7	21.5
Southern, southeastern, and eastern Asia	31.6	41.8	41.1	8.8	11.3	11.7	10.0	10.4	11.9	9.9	8.9
Other areas	7.7	15.1	23.1	4.1	4.4	3.6	3.0	5.2	4.0	9.8	2.2
Tobacco and manufactures[2]	405.0	399.4	432.8	78.7	77.4	113.0	130.3	76.6	88.5	125.2	142.5
Canada	4.4	3.2	3.9	.6	.9	1.0	.6	.5	1.2	1.5	.7
20 American Republics	21.1	25.7	28.7	5.3	6.0	6.5	7.9	6.5	7.7	6.2	8.3
Western Europe	269.4	264.7	284.2	53.0	47.9	75.4	88.4	45.3	54.8	92.4	92.7
Southern, southeastern, and eastern Asia	51.9	50.3	45.7	9.3	13.0	14.9	13.1	10.9	11.9	8.7	14.2
Other areas	58.2	55.6	70.3	10.5	9.6	15.2	20.3	23.4	12.9	26.4	27.6
NONAGRICULTURAL											
Coal and related fuels	346.2	744.7	844.8	131.0	184.4	222.9	206.4	182.1	244.6	233.6	184.5
Canada	216.6	226.6	277.2	27.9	67.1	74.0	57.6	24.8	72.0	67.6	12.8
20 American Republics	19.8	31.7	29.0	8.4	6.5	8.2	8.6	9.8	6.8	5.9	6.6
Western Europe	73.8	445.2	538.1	86.0	102.7	129.5	127.0	133.4	145.5	140.7	118.5
Southern, southeastern, and eastern Asia	34.6	36.2	63.7	7.7	6.9	9.6	11.9	12.6	17.9	18.1	15.1
Other areas	1.4	5.1	6.8	1.0	1.1	1.6	1.3	1.5	2.4	1.4	1.5
Petroleum and products	497.9	567.3	796.2	102.1	115.2	120.8	229.2	330.7	207.6	130.0	127.9
Canada	159.5	110.5	130.1	22.2	27.2	31.7	30.4	30.7	32.3	32.1	35.0
20 American Republics	100.7	172.9	147.9	30.4	34.7	34.4	73.4	43.4	42.3	32.6	28.6
Western Europe	101.3	195.1	350.7	22.7	26.8	25.0	120.6	200.1	86.0	33.9	30.7
Southern, southeastern, and eastern Asia	65.7	61.1	86.6	12.9	13.8	17.0	17.4	23.1	24.5	18.2	20.8
Other areas	70.7	67.7	80.9	14.9	12.7	12.7	27.4	33.4	22.5	13.2	12.8
Metals and manufactures	1,050.1	2,014.7	2,394.9	461.1	537.3	442.0	574.3	633.4	662.5	577.1	522.9
Canada	360.9	659.4	602.3	179.9	174.4	136.4	168.7	146.1	166.5	167.0	122.7
20 American Republics	307.3	420.0	586.4	94.7	105.2	96.0	124.2	139.7	139.0	143.0	164.7
Western Europe	225.5	562.4	628.0	149.3	152.0	128.9	132.2	164.1	162.9	159.0	132.6
Southern, southeastern, and eastern Asia	94.7	333.1	479.7	55.4	76.7	73.4	127.6	157.5	168.7	88.3	65.1
Other areas	72.7	89.8	109.5	21.8	24.1	27.3	16.6	26.0	26.0	29.8	27.7

Machinery (electrical and apparatus, industrial, office, and printing)	2,746.7	3,467.6	3,857.9	824.0	928.5	835.8	879.2	930.3	1,028.7	927.3	972.6
Canada	832.6	1,144.0	1,097.4	271.1	320.0	273.3	279.6	303.0	322.8	249.7	232.9
20 American Republics	767.2	954.6	1,210.2	226.9	244.0	232.5	261.2	257.1	300.6	306.0	346.5
Western Europe	539.0	615.5	666.7	148.1	169.4	142.2	155.8	168.0	180.9	152.3	156.5
Southern, southeastern, and eastern Asia	261.5	354.4	450.1	77.1	91.5	94.9	90.9	96.5	116.5	[illegible]	[illegible]
Other areas	346.4	399.1	433.5	110.8	103.7	92.9	92.7	105.7	122.9	105.0	123.5
Automobiles, including parts and accessories	963.1	1,357.0	1,304.1	393.3	359.8	372.2	332.7	362.6	387.5	359.2	325.8
Canada	305.9	445.6	365.3	135.0	124.9	[illegible]	[illegible]	125.0	109.9	57.5	82.7
20 American Republics	341.4	475.0	557.9	124.9	[illegible]	137.8	128.5	142.1	152.9	[illegible]	135.5
Western Europe	97.7	126.5	96.6	44.5	36.1	37.8	38.1	26.0	26.6	39.1	[illegible]
Southern, southeastern, and eastern Asia	82.7	96.4	96.4	22.7	24.9	24.5	26.3	26.4	39.0	39.9	[illegible]
Other areas	135.4	223.5	257.9	68.2	59.0	47.1	37.4	52.1	49.1	42.3	45.4
Civilian aircraft	90.2	274.7	245.7	39.1	27.5	41.8	56.3	50.4	68.5	71.4	55.4
Canada	7.7	27.2	25.7	5.4	6.1	1.4	4.3	2.2	6.2	4.5	3.3
20 American Republics	7.3	25.7	65.0	8.4	4.4	4.5	3.4	13.7	19.9	16.0	15.4
Western Europe	64.2	121.1	132.5	17.6	[illegible]	17.6	39.8	32.8	34.6	43.4	22.7
Southern, southeastern, and eastern Asia	4.9	8.9	22.6	.5	[illegible]	.4	4.8	.4	2.2	4.3	4.3
Other areas	6.1	22.8	22.4	7.2	[illegible]	2.9	9.0	3.3	5.7	3.2	9.2
Chemicals and related products	800.2	1,227.1	1,374.0	257.5	324.2	325.0	300.4	336.5	366.0	333.8	357.7
Canada	287.5	244.5	245.7	58.6	67.4	58.0	66.5	59.1	67.7	62.7	57.2
20 American Republics	283.2	422.1	444.1	96.3	108.7	103.3	72.8	[illegible]	115.0	[illegible]	115.0
Western Europe	150.1	357.6	352.6	76.5	73.4	85.7	77.0	96.7	92.3	[illegible]	[illegible]
Southern, southeastern, and eastern Asia	117.7	330.1	232.5	47.0	54.2	65.3	56.6	65.6	65.8	57.4	[illegible]
Other areas	62.2	83.8	100.1	[illegible]	20.5	[illegible]	19.5	23.9	25.2	[illegible]	26.3
Paper base stocks, paper and paper manufactures	125.2	198.6	[illegible]	49.2	49.2	49.2	52.2	55.7	55.1	53.6	56.9
Canada	32.2	52.1	53.2	11.8	12.6	[illegible]	11.3	12.5	12.5	13.1	13.9
20 American Republics	51.1	79.6	82.7	19.2	20.2	19.4	18.8	20.7	[illegible]	19.8	[illegible]
Western Europe	11.0	29.8	38.1	7.8	7.0	7.7	7.3	9.8	8.8	9.5	[illegible]
Southern, southeastern, and eastern Asia	17.0	21.7	23.3	5.5	5.0	5.5	5.7	8.0	6.9	7.3	6.1
Other areas	13.9	27.4	29.0	4.8	4.4	4.2	4.0	4.7	4.7	3.7	5.9
Synthetic rubber	20.2	96.7	122.8	23.8	26.5	21.7	22.7	32.8	28.7	32.0	[illegible]
Canada	3.0	7.2	9.4	1.7	2.3	1.5	1.7	3.1	2.4	1.9	[illegible]
20 American Republics	2.5	10.7	11.9	2.9	2.9	3.0	2.9	3.0	2.6	[illegible]	[illegible]
Western Europe	12.2	59.1	77.8	14.2	25.4	15.4	14.1	19.6	18.1	18.6	[illegible]
Southern, southeastern, and eastern Asia	1.6	7.9	10.1	1.7	2.2	1.9	2.1	2.5	2.7	2.5	[illegible]
Other areas	.9	11.8	13.6	3.3	3.7	2.9	1.9	3.6	2.8	3.7	2.5
AGRICULTURAL AND NONAGRICULTURAL											
Commodities not specified[3]	2,503.2	3,297.4	3,542.4	806.0	834.0	773.6	882.8	920.7	928.7	826.7	873.3
Canada	676.1	850.1	872.2	207.4	209.3	207.5	225.9	229.5	220.6	220.2	222.9
20 American Republics	748.3	810.3	939.9	189.8	194.4	187.4	238.7	226.8	234.9	238.1	250.1
Western Europe	449.2	839.6	860.2	227.1	229.3	257.9	225.3	228.6	224.6	242.2	264.8
Southern, southeastern, and eastern Asia	384.9	442.5	473.2	100.2	121.5	135.3	115.4	128.5	121.6	[illegible]	122.9
Other areas	244.7	354.9	396.0	92.5	89.4	87.5	86.5	97.3	110.0	79.2	95.6

1 Greece and Turkey are included. 2 Mainly unmanufactured tobacco. 3 Total reexports are included.

Table 2.--United States Imports of Principal Commodities by Areas or Leading Countries of Origin,

Annual 1953, 1956, 1957, and Quarterly 1956 and 1957

(In millions of dollars)

Commodity and Area	Annual			Quarterly							
	1953	1956	1957	Jan.-March 1956	April-June 1956	July-Sept. 1956	Oct.-Dec. 1956	Jan.-March 1957	April-June 1957	July-Sept. 1957	Oct.-Dec. 1957
Total imports for consumption............	10,778.9	12,516.0	12,907.6	3,155.3	3,082.2	3,092.1	3,187.4	3,234.9	3,157.2	3,192.4	3,323.1
Canada....................................	2,456.1	2,870.0	2,912.6	657.5	716.5	734.5	761.5	668.9	739.5	759.5	744.7
20 American Republics..........................	3,416.7	3,618.3	3,762.1	993.2	889.4	902.2	833.5	1,027.4	895.7	875.1	962.9
Netherlands Antilles (Curacao)................	159.9	247.7	285.0	67.4	58.3	55.6	66.4	85.2	72.2	56.2	71.8
Western Europe.................................	2,270.2	2,864.1	3,004.8	671.2	684.9	683.0	825.0	729.6	741.1	733.9	800.2
Near East......................................	209.0	303.1	265.1	67.7	79.5	91.4	64.5	27.3	49.4	101.6	86.8
Southern, southeastern, and eastern Asia......	1,413.6	1,673.5	1,716.2	456.0	400.2	399.1	418.2	426.3	423.8	447.5	418.6
Australia and other Oceania....................	190.4	200.4	209.8	49.1	55.8	44.4	51.1	55.5	57.3	50.2	46.8
Africa...	575.3	588.3	586.9	159.1	156.8	136.9	135.5	274.3	137.3	128.0	127.3
Other areas....................................	93.7	150.6	166.1	34.1	39.8	35.0	41.7	40.4	42.9	39.2	44.0
FOODSTUFFS AND BEVERAGES											
Meat products and cattle, total................	190.0	156.4	249.7	39.9	42.4	38.5	35.6	43.5	50.5	57.7	98.0
Canada.....................................	55.3	37.2	80.1	9.4	10.6	8.9	8.3	7.2	8.5	19.6	44.8
20 American Republics......................	57.2	34.7	58.3	8.2	6.8	9.8	9.9	11.2	14.1	11.1	21.9
Western Europe.............................	59.0	50.8	63.2	13.5	14.5	11.8	11.0	14.1	17.2	14.5	17.4
Other areas................................	18.5	33.7	48.1	5.8	10.5	8.0	6.4	11.0	10.7	12.5	13.9
Fish and shellfish.............................	193.9	238.2	254.4	56.5	56.3	63.9	61.4	57.8	58.1	72.3	66.2
Canada.....................................	80.3	85.0	88.9	18.7	20.7	25.7	19.9	17.7	22.0	27.4	21.8
20 American Republics......................	32.1	44.0	47.0	12.6	8.8	10.3	12.3	11.0	9.4	11.5	15.1
Western Europe.............................	27.2	29.2	29.8	7.5	6.2	7.0	8.5	8.0	6.0	7.5	8.3
Southern, southeastern, and eastern Asia....	38.0	55.6	62.1	11.7	13.4	14.9	15.6	14.1	13.4	19.0	15.6
Other areas................................	16.3	24.3	26.6	6.0	7.2	6.0	5.1	7.0	7.3	6.9	5.4
Grains, fodders, and feeds.....................	209.4	104.1	112.0	18.0	29.2	28.3	28.6	25.3	24.4	27.9	34.4
Canada.....................................	187.3	84.9	92.1	13.1	24.7	23.7	23.4	19.6	20.3	23.4	28.8
Vegetables, fruits, edible nuts................	245.1	249.9	261.9	65.6	67.7	55.2	61.4	68.0	66.0	58.6	69.3
20 American Republics......................	112.3	116.0	122.1	31.1	35.2	25.2	24.5	34.7	33.9	25.4	28.1
Western Europe.............................	48.1	52.9	50.9	15.3	13.2	10.1	14.3	13.1	12.3	10.6	14.9
Southern, southeastern, and eastern Asia....	53.6	51.2	57.4	12.7	12.5	13.9	12.1	13.0	13.3	16.6	14.5
Other areas................................	31.1	29.8	31.5	7.5	5.8	6.0	10.5	7.2	6.5	6.0	11.8
Cocoa or cacao beans...........................	167.3	144.4	134.8	55.0	39.9	25.7	23.8	43.2	29.4	22.7	39.5
20 American Republics......................	75.6	66.6	69.0	19.0	11.8	21.2	14.6	10.3	14.8	15.2	28.7
Africa.....................................	87.7	73.8	62.6	33.9	27.2	3.7	9.0	32.3	13.4	6.8	10.1
Coffee, raw or green...........................	1,465.6	1,439.6	1,374.5	423.7	325.9	379.7	310.3	425.0	281.5	288.0	380.0
20 American Republics......................	1,369.0	1,302.3	1,205.8	396.9	296.0	334.2	275.2	383.4	243.9	252.8	326.7
Africa.....................................	92.2	129.1	159.2	24.9	28.3	42.9	33.0	39.1	35.0	33.7	51.4

Cane sugar	425.4	436.7	457.6	126.4	123.4	126.8	60.1	128.3	125.9	127.5	73.9
20 American Republics	320.0	330.7	356.0	92.3	86.8	99.3	52.3	90.1	92.0	105.2	68.7
Southern, southeastern, and eastern Asia	105.0	105.9	101.0	34.0	36.5	27.5	7.9	37.7	33.9	22.2	7.2
Whisky and other distilled spirits	123.7	156.2	166.4	28.8	33.5	34.8	59.1	29.3	35.6	39.4	62.1
Canada (whisky only)	52.2	63.7	61.6	10.7	13.3	13.6	26.1	9.7	12.1	15.1	24.7
United Kingdom (whisky only)	60.3	76.2	86.6	14.9	16.8	17.7	26.8	15.8	20.0	20.4	30.4
Other foodstuffs and beverages	272.8	278.3	275.4	72.0	76.0	64.2	66.3	68.9	73.7	62.1	71.3
CRUDE AND SEMIMANUFACTURED MATERIALS											
Furs and manufactures[1]	73.0	86.3	86.4	27.2	22.4	15.3	21.4	28.6	18.7	14.8	24.3
Canada	17.3	22.2	21.1	6.7	3.4	2.7	8.4	6.5	3.4	1.6	9.6
Western Europe	19.0	28.6	30.2	12.3	7.6	4.0	4.7	11.3	7.0	5.1	6.8
Southern, southeastern, and eastern Asia	15.2	17.1	18.4	4.0	7.7	2.9	2.5	7.6	4.4	3.3	3.1
Other areas	21.5	19.4	16.7	4.2	3.7	5.7	5.8	3.2	3.9	4.8	4.8
Crude rubber	371.5	398.7	349.6	136.4	88.9	73.6	99.3	82.6	88.4	87.5	91.1
Southern, southeastern, and eastern Asia	304.9	357.4	311.3	124.8	79.9	64.5	88.2	72.4	79.9	78.2	81.3
Wool, unmanufactured	295.8	[illegible]	211.0	82.4	61.3	52.1	46.7	72.8	49.6	52.8	37.8
20 American Republics	124.7	77.2	59.5	32.1	18.7	13.1	9.3	22.4	16.9	[illegible]	7.9
Southern, southeastern, and eastern Asia	20.8	28.4	24.9	8.9	5.7	7.3	6.5	9.2	5.4	6.5	3.9
Near East	24.2	31.1	30.0	7.5	5.1	10.3	8.2	7.8	4.9	5.8	7.5
Australia and New Zealand	94.5	77.7	68.8	21.9	23.1	26.1	16.6	22.2	14.8	18.1	13.7
Other areas	32.6	32.1	27.8	12.0	8.7	5.3	6.2	10.3	7.6	5.1	4.3
Sawmill products	236.0	306.1	243.3	73.3	76.7	86.3	69.8	53.4	62.4	67.2	60.3
Canada	208.7	268.1	222.2	63.6	66.2	76.1	62.2	46.1	54.0	59.3	52.8
Paper base stocks and newsprint[2]	896.1	1,030.1	974.4	246.5	255.2	262.6	265.8	241.6	242.1	248.1	242.6
Canada	819.1	938.9	919.4	229.9	232.8	231.8	244.4	226.1	229.8	234.7	228.8
Western Europe	76.6	86.6	52.2	15.7	21.8	28.7	20.4	14.4	11.4	12.5	12.8
Petroleum and products[2]	761.7	1,286.1	1,542.8	307.9	308.1	324.3	345.8	364.5	382.9	403.0	392.4
Canada	8.1	120.9	157.0	29.0	22.9	31.1	37.9	45.4	47.6	38.3	25.7
20 American Republics	426.4	663.9	834.7	158.2	158.2	160.5	187.0	214.6	217.2	202.6	200.3
Netherlands Antilles (Curacao)	155.7	243.3	280.7	66.1	57.3	54.5	65.4	84.1	70.2	55.8	70.6
Near East	140.4	220.6	166.7	48.2	61.7	69.0	41.7	7.2	34.6	80.4	64.5
Diamonds	156.6	236.0	193.1	60.6	61.6	49.5	64.3	44.2	51.2	50.8	46.9
Western Europe	108.6	177.7	139.3	45.2	47.7	35.6	49.2	31.9	36.9	36.5	34.0
Africa	29.8	36.5	30.3	9.2	8.7	9.8	8.8	6.6	8.4	7.9	7.4
Iron ore	96.8	250.5	285.0	39.3	64.5	85.9	66.8	36.7	75.5	102.2	70.6
Canada	16.1	117.7	111.8	.2	29.6	53.6	34.3	.3	32.1	56.1	23.3
20 American Republics	45.6	107.9	152.5	27.3	28.8	24.9	26.9	32.1	37.5	40.6	42.3
Iron and steel-mill products, including scrap[2]	255.4	240.0	234.9	46.9	52.4	59.7	82.0	63.6	64.9	51.9	49.5
Canada	40.9	36.5	32.7	5.1	8.6	10.2	12.6	4.5	7.6	10.7	9.7
Western Europe	183.4	184.7	185.4	38.7	39.3	44.0	62.7	59.3	53.1	38.1	34.9

Table 2.—United States Imports of Principal Commodities by Areas or Leading Countries of Origin, Annual 1953, 1956, 1957, and Quarterly 1956 and 1957—Continued

(In millions of dollars)

Commodity and Area	Annual			Quarterly							
	1953	1956	1957	Jan.-March 1956	April-June 1956	July-Sept. 1956	Oct.-Dec. 1956	Jan.-March 1957	April-June 1957	July-Sept. 1957	Oct.-Dec. 1957
CRUDE AND SEMIMANUFACTURED MATERIALS—Continued											
Ferroalloys, ores, and metals	320.7	272.0	326.9	57.2	60.2	72.9	[illegible]	79.7	[illegible]	[illegible]	[illegible]
20 American Republics	54.9	56.4	68.1	23.9	23.3	25.1	[illegible]	26.0	[illegible]	[illegible]	[illegible]
Western Europe	78.6	52.9	57.2	9.7	9.3	11.9	22.5	[illegible]	[illegible]	[illegible]	12.7
Southern, southeastern, and eastern Asia	92.9	98.7	70.6	22.2	23.6	[illegible]	26.9	27.0	[illegible]	[illegible]	23.4
Africa	63.4	67.8	63.9	15.2	15.8	[illegible]	28.8	16.7	[illegible]	[illegible]	23.7
Other areas	31.9	36.2	67.1	6.8	8.2	11.8	9.4	[illegible]	13.2	[illegible]	[illegible]
Nonferrous ores and metals	1,362.9	1,438.8	1,365.5	342.0	368.3	[illegible]	[illegible]	360.4	352.3	[illegible]	[illegible]
Canada	340.2	425.2	422.3	95.3	[illegible]	102.8	[illegible]	127.7	[illegible]	92.2	96.3
20 American Republics	409.8	426.8	378.2	96.3	125.9	[illegible]	122.9	[illegible]	[illegible]	86.4	[illegible]
Western Europe	272.8	255.1	222.0	73.0	62.4	56.2	66.7	[illegible]	58.6	[illegible]	[illegible]
Southern, southeastern, and eastern Asia	152.3	137.3	110.9	36.3	28.6	31.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia and other Oceania	26.8	50.2	49.2	9.1	11.5	[illegible]	27.5	[illegible]	[illegible]	9.5	[illegible]
Africa	105.5	100.6	104.7	27.5	33.4	21.8	22.9	[illegible]	27.8	22.5	[illegible]
Other areas	34.5	53.7	69.2	11.5	[illegible]	11.3	[illegible]	16.2	16.3	[illegible]	[illegible]
Copper	433.0	501.9	382.8	122.8	147.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	66.9	97.5	60.5	23.6	22.8	22.5	24.6	24.8	[illegible]	[illegible]	[illegible]
20 American Republics	252.8	282.0	206.6	60.5	82.9	67.7	71.9	62.6	53.6	[illegible]	[illegible]
Nickel	136.2	198.5	207.1	48.2	52.4	44.7	42.2	44.9	54.6	[illegible]	45.2
Canada	122.9	142.7	156.8	35.4	39.8	33.2	34.3	35.8	[illegible]	[illegible]	[illegible]
Tin	270.5	178.2	130.9	51.4	38.7	39.5	48.6	33.6	[illegible]	[illegible]	27.2
Western Europe	96.3	50.8	[illegible]	15.4	12.3	[illegible]	12.1	9.7	3.2	[illegible]	[illegible]
Southern, southeastern, and eastern Asia	137.4	107.6	89.2	29.6	22.4	27.3	33.3	23.9	[illegible]	[illegible]	[illegible]
Lead and zinc	216.8	261.9	307.8	57.9	54.3	61.4	88.3	80.3	75.6	[illegible]	[illegible]
Canada	65.2	64.4	68.5	[illegible]	17.2	[illegible]	21.3	17.8	18.4	[illegible]	17.2
20 American Republics	55.4	107.0	129.5	27.9	21.8	25.0	33.3	37.0	26.3	27.8	[illegible]
Western Europe	38.2	37.7	35.5	7.2	8.9	8.8	12.8	9.5	[illegible]	[illegible]	7.6
Australia and New Zealand	18.9	35.9	39.7	8.8	6.1	7.9	13.1	[illegible]	[illegible]	6.5	9.7
Other areas	9.1	20.9	36.6	3.8	4.3	5.0	7.8	8.9	8.2	7.8	[illegible]
Fertilizers and fertilizer materials[1]	[illegible]	[illegible]	97.1	35.7	25.6	15.2	25.7	26.5	26.3	[illegible]	22.4
Canada	46.0	49.0	45.5	15.5	11.5	9.1	11.8	14.6	[illegible]	[illegible]	9.5
20 American Republics	24.5	28.4	20.3	5.9	6.4	[illegible]	5.8	3.2	7.5	[illegible]	5.9
Western Europe	58.1	30.7	26.4	12.8	6.0	[illegible]	7.2	7.3	6.5	[illegible]	[illegible]
Other areas	7.1	4.2	4.9	1.5	.6	[illegible]	.9	[illegible]	[illegible]	[illegible]	[illegible]
Chemicals and related products, except fertilizers[1]	155.3	172.9	178.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	57.2	42.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Western Europe	79.1	93.4	98.5	[illegible]	27.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINISHED MANUFACTURES											
Leather manufactures	25.5	[illegible]	54.2	9.2	8.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Western Europe	22.6	32.0	37.3	6.4	5.5	[illegible]	9.5	7.3	[illegible]	[illegible]	[illegible]
Textile semi- and finished manufactures[2]	464.2	648.7	634.5	262.5	[illegible]	263.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Western Europe	265.9	300.5	288.0	74.6	72.9	75.9	[illegible]	[illegible]	[illegible]	[illegible]	65.5
Southern, southeastern, and eastern Asia	144.6	277.5	279.1	68.8	64.9	72.6	[illegible]	66.0	[illegible]	[illegible]	59.3
Cotton finished manufactures	72.6	154.3	235.6	[illegible]	38.3	[illegible]	[illegible]	34.6	33.5	34.7	32.8
Western Europe	39.6	48.4	45.3	12.5	[illegible]	[illegible]	[illegible]	12.3	[illegible]	[illegible]	[illegible]
Southern, southeastern, and eastern Asia	30.9	49.2	83.0	28.3	25.8	25.3	29.8	20.8	[illegible]	[illegible]	25.8
Wool finished manufactures	98.1	245.3	243.1	26.7	35.5	45.3	[illegible]	32.7	37.3	45.6	37.8
Western Europe	84.0	130.5	92.5	19.7	25.6	30.8	[illegible]	[illegible]	[illegible]	28.0	25.5
Southern, southeastern, and eastern Asia	7.1	32.9	37.5	4.6	7.3	12.1	[illegible]	6.4	9.8	17.7	7.6
Glass and glass products	30.2	66.7	54.2	27.1	26.9	[illegible]	[illegible]	22.4	23.0	22.8	[illegible]
Western Europe	25.5	52.5	42.7	14.0	23.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Clay and clay products[3]	46.0	68.6	77.6	25.6	26.4	28.7	[illegible]	26.3	29.5	[illegible]	[illegible]
Western Europe	25.5	24.3	27.5	5.9	5.7	6.7	6.0	5.4	7.3	6.8	7.4
Southern, southeastern, and eastern Asia	13.3	27.0	29.2	6.2	6.4	7.2	7.4	6.4	6.5	5.0	5.2
Agricultural machinery and implements	72.9	75.4	80.5	27.9	23.6	[illegible]	7.5	20.5	28.0	14.5	25.5
Canada	66.9	65.0	68.4	14.8	14.5	9.0	5.8	17.0	[illegible]	[illegible]	[illegible]
Electrical, industrial, office, and printing machinery	173.5	179.8	242.6	62.1	69.9	68.1	82.7	84.4	58.3	81.8	58.1
Canada	34.5	28.2	32.2	6.8	8.4	5.7	7.7	9.2	9.6	7.6	7.9
Western Europe	127.7	122.8	262.5	47.8	54.9	55.0	64.4	67.0	67.8	61.0	65.1
Southern, southeastern, and eastern Asia	10.5	14.2	38.3	4.3	5.5	6.2	8.2	6.8	9.0	[illegible]	13.1
Automobiles, parts, and accessories	57.9	144.5	376.9	29.4	34.5	32.4	47.1	64.5	78.3	97.4	139.1
Western Europe	46.4	140.6	331.7	28.4	33.6	32.6	44.0	63.4	77.3	[illegible]	138.1
Clocks, watches, and parts	84.7	74.8	75.0	24.1	26.5	28.7	25.5	25.7	26.9	19.4	23.7
Western Europe	84.5	72.6	72.3	23.6	25.9	28.2	24.9	25.2	26.1	18.7	[illegible]
Photographic goods and scientific instruments	34.9	55.7	70.9	12.9	12.8	14.3	15.7	14.9	17.1	19.1	19.0
Western Europe	27.0	34.8	43.8	8.4	8.3	9.7	9.4	9.9	11.1	11.0	11.8
Southern, southeastern, and eastern Asia	6.4	13.0	19.0	2.2	2.5	3.6	4.6	3.2	4.2	5.6	6.2
Dolls and toys, athletic and sporting goods	17.0	39.3	44.5	7.8	8.9	12.1	10.5	9.0	10.6	11.2	11.7
Western Europe	7.9	12.3	12.0	2.2	2.7	3.7	2.7	2.2	2.5	3.3	3.0
Southern, southeastern, and eastern Asia	8.2	24.7	29.6	5.0	5.5	7.5	6.7	6.0	7.2	5.8	7.7
UNDISTRIBUTED											
Other crude and semimanufactured materials and other finished articles	1,255.7	1,452.0	1,502.4	353.0	357.5	337.1	424.4	366.2	356.7	364.8	424.7

1 Chiefly crude and semimanufactured products. 2 Semi- and finished manufactures are included. 3 Chiefly finished manufactures.

April 1958.

Prepared in the International Economic Analysis Division, Office of Economic Affairs, from basic data of the Bureau of the Census, U. S. Department of Commerce.

Senator LONG. I noticed here in that study that there are a considerable portion of the imports that we have which are really not produced in this country.

For example, vegetables, fruits, and edible nuts. I take it that is mainly vegetables, fruits, and tropical nuts that are not produced in this country, cocoa and cocoa beans, coffee, various furs, crude rubber, diamonds, nickel, and tin.

There are very little, if any, of those items produced in this country, are there?

Secretary WEEKS. That is correct, yes.

Senator LONG. And just from quickly tabulating some of those items, it appears to me that that runs about $3,140 million, roughly of the imports that we have.

Now with regard to those imports, there is really no domestic competition, is there?

Secretary WEEKS. I would not say so.

Senator LONG. Those are items that we do not produce here.

Secretary WEEKS. No, sir.

Senator LONG. So we cannot have too much complaint about those items as far as Americans are concerned.

They might produce some substitute for some of those things, but in the main they are perfectly content to see them come in, are they not?

Secretary WEEKS. Yes, sir.

Senator LONG. There is no real conflict there.

Now looking to that situation also, it does appear that there are a considerable portion of what remains that comes in under acts very strictly drawn to look at the situation of the domestic industry as compared to the desire of letting cheaper foreign production come into this country.

For example, sugar such as is produced in Louisiana enjoys about 50 percent of the domestic market.

It does appear that the foreign producers could produce it more cheaply, but that industry was able to gain some protection because it was felt that in times of national emergency we would need to have a sugar industry, and from World War I experience that was about the most difficult commodity for civilians to get and was one of the most difficult goods to supply our armed services.

Then there is wool. That is protected under the Wood Act, which is a special arrangement, and I suppose that there are some other acts that were passed that would look to the particular situation of an industry.

Do we have any particular legislation relating to copper?

Secretary WEEKS. Well, we have had this tariff which is applicable under 24 cents, is it, or 23?

Mr. MUELLER. 24.

Secretary WEEKS. It has been under suspension for some time.

Congressman Boggs introduced a bill the other day to carry the suspension 1 year.

Senator LONG. With regard to some of these imports, I imagine that the industry in general is pretty well satisfied the whisky in the main that is imported in this country is Canadian whisky and Scotch whisky isn't it?

We do not produce that type of whisky in the United States?

Secretary WEEKS. No, we do not make Scotch whisky.
Senator LONG. Do we make those whiskys here?
Senator MALONE. They used to during prohibition use sheep dip. They put sheep dip in it to give it the right taste
Senator LONG. I think we make some Scotch-type whiskies.
Mr. MUELLER. They are imitations.
Senator LONG. They are imitations and do not have much of the market. At least they are not very competitive with the Scotch whisky. People prefer the imports.

Now there are certain industries where apparently the major production which is imported into this country comes in without much objection. I take it that paper and newsprint would be one of them, would it not?

We apparently imported last year not quite as much as the year before.

That is about $975 million worth, and I did not hear what the objections were from paper manufacturers.

Those companies tend to be international companies in that field, do they not?

Secretary WEEKS. I do not think they are international companies, but a good many American companies own properties in Canada of course where they operate.

A good deal of this I think is from Canada.

Senator LONG. Yes.

Secretary WEEKS. I showed a chart—I think you were out of the room at the time, Senator—on the increase in paper and paper products exclusive of newsprint.

Senator LONG. Yes.

Secretary WEEKS. Which is rather interesting.

You might just glance at it if you haven't seen it. This is our export of paper and paper products exclusive of newsprint.

Senator LONG. Yes.

Now how about our domestic production of those commodities? Have those increased during the same period?

Secretary WEEKS. They must have to take care of that increased demand and also that substantial increase in the export trade, which amounts in 5 years to about $180 million.

Senator LONG. Mr. Secretary, my general idea about this trade business is somewhat in line with the way Congress used to handle it except that perhaps I am more of a free trader than the old Congresses were.

My whole general theory is that where there is very little foreign competition, none or very little, that is a good place to permit some competition.

Let those people penetrate the American markets. But on the other hand, where you have got a domestic industry that is having a very hard time of it and it is getting the worst of it, that perhaps we should give more protection than we are giving.

Now does that accord with your general philosophy or do you feel that that is contrary to your view of economics?

Secretary WEEKS. I think that industry should be protected against severe injury, and the President has so stated in the last 4 or 5 years several times to the Congress in letters to individuals that he does not intend to see any industry in jeopardy or severely injured. Now there are cases where a particular industry is in trouble that I do not think is due to import competition.

I think this is true in the textile case.

They have not been enjoying good times.

But I cannot get myself to think that the big bad wolf is foreign competition.

I do not think the figures would bear it out.

Senator LONG. I would just like to speak to the general issue for a moment

When I was in college about the safest platform that an incumbent for a campus office could run for student body office on was to campaign on the platform that he was going to tighten up on all the loose ends and loosen up on all the tight ends, and it seems to me that that is the function of Congress as intended by the Constitution on trade.

At least that is the way I thought it was administered historically: That if we wanted to have a domestic industry of a sort and we thought it needed protection, we would give it some and if it looked like it had far more than it needed, we would reduce the tariff barrier.

At least I thought that was the theory of the infant industry argument, was it not historically along that line, that you helped someone to get started and after it got on its feet and got going good, take the tariff away?

Secretary WEEKS. Historically that is the case. When we had no industry in this country we built it up by protection. That is what they do in other countries.

Senator LONG. I personally would like to try to see what the conclusion is to things I have been voting for here in Congress, and every now and then you keep voting for something that sounds good individually but sometimes you wonder whether it all makes a complete picture.

Now I personally have been in favor of expanding trade and also in favor of helping these foreign countries to develop. I think that that is a part of the overall fight aginst the spread of communism, and certainly a great force in the economic battle.

I wonder how that ties in to our domestic situation. Now if we continue to do that for which I have been voting and what I think this administration has been supporting—that is, to encourage Americans to invest American funds abroad, including industry—if we encourage Americans to invest funds abroad in building industries abroad—and I understand one of the charts you have indicates that we are doing that to the extent of about $3 billion a year; is that the correct figure.

Secretary WEEKS. Last year, yes.

Senator LONG. Which I think is a good thing, $3 billion a year in developing industries outside of this country.

Secretary WEEKS. Yes, sir.

Senator LONG. I would hope a lot of that is going to the underdeveloped nations, not just to developed ones.

And then if we loan American funds in large quantities through the Export-Import Bank and through our foreign aid program and others and even in some cases make direct gifts to help those countries to develop economically, build industries and develop industrially, then take our technical program and help show them how we do things, and help them to get the best type of American equipment and to teach them how to use it and give them the things to get together, with the low-wage standards that the other countries have, do you know of any considerable number of American industries that can pay a much higher labor cost and still produce at a cost in line or below the cost of those that we teach to use our methods?

Secretary WEEKS. The only answer I can give you on that is, as I say, everything is a question of degree.

I know one company that has a plant in England and it gets four times the sales value per employee in its plants in this country than the British company does, than its British subsidiary.

Obviously wages play an important part, depending upon the type of an industry. I know another company I was a director of that had, about 15 or 18 plants abroad. Actually they claim they can, despite the difference in the wage scales in the different countries, they claim they can make the product cheaper in this country than practically anywhere in the world.

Now this is a product that is made largely by machines in which the labor component is very small.

All these things enter into it: the production methods, the degree to which machinery carries the burden, and so on.

I come back to the figures themselves which are on that chart, that every dollar of that red line represents a product made by the working people of this country, and it is just going up by leaps and bounds.

Senator LONG. So far we have had ——

Senator WEEKS. Of course, our exporting industries, I think, on the average pay higher wages than those that do not participate much in the export market.

Senator LONG. Over the long pull the question that concerns me is as we make it possible for people to produce, in many instances with the money we lend them ourselves, and by the methods that we teach them to produce where their machine cost is in line with ours, if their labor cost is far below ours it would seem to me that in most cases a low labor cost would make it possible for at least some of the nations of the world to produce at a cheaper cost almost any commodity we are producing here that we manufacture.

That is certainly the great majority.

I just wonder if you would agree with that conclusion.

Secretary WEEKS. Yes, I think so, but of course accessibility to the raw materials supply enters into it, and there are a lot of factors. You are liable to have some difficulties in spots.

This is one reason why we made such strenuous efforts in behalf of the textile industry.

We spent months in the successful endeavor to convince the Japanese that they would do well to restrain their exports to this country on a voluntary basis.

My own philosophy of it is that we have to walk this line of trying to protect the export trade and protect against disastrous imports and cross each bridge as we come to it and take each case on its merits.

We have tried to provide in this bill what I think is adequate remedy, and the remedy if applied would carry the rate 50 percent above the Smoot-Hawley rate which is generally thought to have been quite good protection.

Senator LONG. Yes.

Of course, times change.

In some industries the Smoot-Hawley rate may be far more than is needed, and in some cases it may not even be enough as it stands today because of the passage of time and changing circumstances.

The thought does occur to me that in the interest of fairness and justice a trade program should not operate in such a fashion that a limited number of industries must bear a very heavy burden—and in some cases a killing burden as far as some particular manufacturers are concerned—while on the other hand there would be others that would stand behind tariff walls so high that there would be no possibility of anyone crossing those barriers to compete with them.

Now, does that seem fair to you?

Secretary WEEKS. That coincides with my middle of the road theory; yes, sir.

Senator LONG. You would feel that those who have a tariff that is too high should not have that high a tariff barrier to protect them; that there should be some competition, I take it?

Secretary WEEKS. I am a great believer in competition; yes, sir.

Senator LONG. Do you still favor the proposal the administration made some years ago that there should be a suspension of tariffs in regard to items that are imported in negligible quantities only?

Secretary WEEKS. I do not think you would——

Senator LONG. You will recall the administration's recommendations of 2 years ago. Was that a matter of cutting in half the tariff or just suspending it on commodities that are either not imported at all or imported in only negligible quantities?

Secretary WEEKS. I am advised that was put in in the original H. R. 1 in 1955 but was not adopted by the Congress and we did not reinsert it in our proposal this year.

Senator LONG. I understand Secretary Dulles still feels favorable towards it.

I just wondered how you feel about it.

Secretary WEEKS. To be honest, I have not given it any thought since the original proposal 3 years ago.

I have not thought about it.

Senator LONG. My impression is that some people are getting far too much protection and others are not getting enough.

What is your attitude toward American industries in general which find that foreign producers can now produce at a lesser cost? Is it your judgment that over a period of time the American industry ought to make preparation to get out of business, or do you think that we should adopt a tariff policy which means that the foreign producers can get a portion of the market which should be restricted at a certain level?

Secretary WEEKS. I think that if a given industry is faced with disastrous competition, the administration's program is to see that it is not placed in jeopardy.

For example, in the woolen and worsted industry, we have in the GATT arrangement the 5 percent tariff quota.

When our imports exceed 5 percent of the average of domestic production of similar fabrics in the 3 preceding years, then it is possible, under a reservation to our concession, to increase duties on imports exceeding 5 percent. This safeguarding action has been taken by the President: this is the second full year that he has applied it.

Now this is a recognition in this particular case of the principle at the lower rate, the concession rate, of giving the foreign producer a share of the market which is 5 percent, and beyond that having them pay a higher rate.

Senator LONG. Here is the thing that concerns me somewhat, Mr. Secretary.

Louisiana is very much of an oil-producing State. Three years ago I voted to extend this act for 3 years rather than 2, and I think mine was the deciding vote.

I was absent when the vote occurred and I believe mine was the one majority in favor of making it 3 years rather than 2, and I voted for a substitute to a proposal offered by Senator Kerr at that time which substituted the so-called voluntary program you had here for a mandatory limitation on oil imports.

Now the program for which I voted at that time had been administered by the Department for a period of 3 years, and oil and oil products imports had risen from about—what percentage of the market was it about 3 years ago do you recall, was it 12 or 14?

Mr. MUELLER. Imports of oil and products in 1954 were 16‰; percent of domestic production of crude petroleum.

Secretary WEEKS. Imports of crude and products.

Mr. MUELLER. That is everything.

Senator LONG. As of now it is up to about 23 percent according to the testimony I heard here.

Mr. MUELLER. That is right.

Senator LONG. That is an increase of almost 50 percent, and the importers now have almost a quarter of the market, and incidentally those are mainly American companies, too.

They are not foreign companies. If we continue to go along like that in the oil business, it would look to me as though about two more extensions and the oil business will have gone the route of the clothespin manufacturers that Senator Flanders made reference to, or the route of some of the textile mills in Louisiana, at least the principal ones that I heard from last time.

I know they wrote me a lot of letters last time and they are not writing me this time because they are out of business. Is there any way we can nail this thing down to try to keep the oil industry in line, keep the imports in line with what they started out?

Mr. MUELLER. Senator, in 1954, which is the base year that the oil industry points to, the percentage of imports of crude oil to crude-oil production was approximately 10 percent.

I say approximately because it may have been 10.2 percent, it may have been a fraction of a percent one way or the other. On the basis that the Cabinet Committee was appointed, it was appointed to investigate the impact of crude-oil imports on the national security under section 7. So the committee in its deliberations determined that it would first adopt a voluntary program and second, hold the imports of crude oil to approximate the same percentage that it was in 1954, and on that basis in regions 1 to 4 the allocation was set at approximately 780,000 barrels per day of crude oil.

This was a year ago. Now region 5 at the time a year ago, no allocation was put into effect for the reason that region 5 is a deficit area.

In other words, in region 5 there is approximately 900,000 barrels of oil per day produced, and approximately 1,200,000 barrels of oil consumed. So that there was reasonable balance a year ago between the imports into region 5 and the demand for oil and petroleum products.

Senator LONG. If you applied that same logic that you are applying to sugar in Louisiana we might just as well plow under our sugarcane fields if we are only going to produce for the Louisiana market, the sugar, and you are going to take the attitude everything else is a deficit area.

Mr. MUELLER. No. The reason it is a deficit area is you cannot transport oil from the eastern part of this country up to the Rocky Mountains over into that area on an economic basis. In other words, the oil produced in Oklahoma and Texas is not available in California and Washington and Oregon unless it is transported in tankers from the gulf coast around through the Panama Canal and up.

It is economically unsound on the basis of the posted price of crude in regions 1 to 4. The Four Corners comes from New Mexico, and there is today a Four Corners pipeline so called that is built, and that transports oil mainly from New Mexico, which is a reasonably new area or field.

Senator LONG. When you say all that is unsound economically, I take it you mean because oil from Venezuela or from the Orient can be shipped to the west coast more cheaply than oil from the gulf coast?

Mr. MUELLER. No. Because the cost of transportation is such that it would result in region 5 experiencing a much higher cost than other regions if they used domestic crude entirely.

You understand they produce out there, and they have been producing for many, many years in the California oilfields, but the California oilfields have been gradually, slowly but gradually declining.

This is a comparatively recent thing in region 5.

Up until a few years ago they were producing practically as much as they were consuming, but over the last—I cannot give you the exact number of years—they have had to import oil or had to bring oil from other areas.

They are bringing oil today from Canada, as you know, into the Pacific Northwest, and they are importing oil, a certain amount, from Sumatra.

They are importing it from the Dutch East Indies.

Senator LONG. It would certainly seem to me that if we are thinking about American industry and trying to assure American industry a certain portion of the American market, that you would look at the United States as a whole when you decide what portion of the market you are going to let the foreign producers have, and let them bring it in wherever it is most to their advantage.

Of course, the percentage of the market or the portion of the market they are going to have, that would be about all of it.

Now, inasmuch as you have made reference here to the cost, hauling it across the ocean, oil is one of the principal defense commodities, and with 500 Russian submarines out there on the high seas, you cannot count on any of those tankers from these foreign countries getting to the west coast in war time, can you, or can you?

Mr. MUELLER. No.

Secretary WEEKS. That is correct, and that is the area of national security on which the oil industry has been protected by reducing the amount of imported oil.

We are importing, Senator, 300,000 barrels less of crude oil today than we were a year ago, and that has all come about as a result of the voluntary oil program.

Secretary WEEKS. Three hundred thousand barrels a day.

Senator LONG. I have had considerable complaints that there are chislers against this program and so far the chiseler seems to get ahead and gain by doing it.

Now what is your reaction to that?

Secretary WEEKS. Senator, when we recommended to the President and he invoked this voluntary quota basis of last summer, there were 3 companies, I think it was 3, that did not comply with the quota assigned them on a voluntary basis.

When we reviewed the program and reduced the imports from about 770,000 barrels a day down to 713,000 in March this year, there was a grave question as to whether we would go to mandatory controls or endeavor to make the voluntary controls work, and we adopted the procedure on the part of Government agencies and departments of invoking the Buy American Act, and they do not buy the Government requirements from companies that have not received a certificate of compliance with the quota that is assigned to them, and this has brought the words offenders under the original into line.

They have subscribed to and are now conforming to that quota. We think that this voluntary basis is working.

It did not work 100 percent before, but we think it is today, and for a variety of reasons we have thought that it was the desirable way to do it.

We thought of mandatory quotas. There are many problems involved, not to mention possible lawsuits or what not.

Senator LONG. Now over a period of time isn't it likely that most industries would tend to have a capacity in line with their demand or the consumption of their product.

In other words, that their production and their capacity will tend to come into line just on the theory that it is usually not economic to try to maintain a capacity far in excess of your rated amount of production or the amount that you can sell.

Secretary WEEKS. Well, you do not ever build productive capacity beyond what you think your market will absorb, but in the oil industry, the only reason that we did or could take action was under the national security, and that was due to the fact that we had to safeguard the development and drilling and new production in the industry.

Senator LONG. That is the point I have in mind. If you do not maintain a sufficient production of petroleum and petroleum products in peacetime to meet your defense requirements in the event of war, you just cannot depend on expanding what you have rapidly enough to meet demand and to meet your requirements in the event that your overseas supplies are cut off during a war period, can you?

Secretary WEEKS. That is right, and the only reason that we could act was to try to see to it by our action that there was development sufficient to keep the industry in a healthy condition.

Senator LONG. Now some people have tried to make the argument, and to me those who have made it just did not understand anything about the oil and gas industry, that it was a good idea to keep bringing in these foreign imports and to save our oil in the ground.

What those people were failing to realize every step of the way is that if you have got to fight a war the fact that you have got reserves is not going to do you any good unless you have got holes down in the ground to get to the oil and steel pipe laid down there so the oil can come to the surface.

And if you have got to spend 4 or 5 years drilling for it, the war might be over before you ever get it. Now that is something you well recognize, do you not, Mr. Secretary?

Secretary WEEKS. Yes, sir.

Senator LONG. And the amount of oil that you can produce—come an emergency, just like Suez, when you are called upon to produce what you can get right then and there as an immediate expansion of production and what you can make available to meet your emergency, that is what you count on to fight a war, not some reserve that you might be able to go drill for and fully develop if you have 5 or 6 years to do it.

Secretary WEEKS. That is correct.

Senator LONG. Thank you very much, Mr. Secretary. I appreciate your courtesy. I know we have kept you here for some time and Senator Malone has got a lot of questions to ask. I feel that I have imposed enough on you today.

Senator MALONE. We stand adjourned until 9 o'clock in the morning.

Mr. Weeks will be here at 9 and then the Secretary of State at 10.

(Whereupon, at 5:10 p. m., the committee adjourned to reconvene at 9 a. m., Saturday, June 21, 1958.)

TRADE AGREEMENTS ACT EXTENSION

SATURDAY, JUNE 21, 1958

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

The committee met, pursuant to recess, at 9 a. m., in room 312 Senate Office Building, Senator Clinton P. Anderson presiding.

Present: Senators Anderson, Malone, and Carlson.

Also present: Elizabeth B. Springer, chief clerk.

Senator ANDERSON. The committee will be in order.

Mr. Secretary, we are sorry that we have to have a Saturday session for you, but there are some members of the committee who did not get a chance on the opening day.

We did not finish with Senator Malone yesterday so we appreciate the fact that we are here early this morning. I believe when the committee terminated yesterday it was engaged in examination by Senator Malone.

Senator, do you have additional questions?

Senator MALONE. Mr. Chairman, you know that you and I are not too high on the totem pole.

Senator ANDERSON. I found that out many times.

Senator MALONE. So they did not get to me yesterday.

Senator ANDERSON. I beg your pardon?

Senator MALONE. It was 6:30 and the Secretary had been on the stand all afternoon and you and I had been trying to attend two committee meetings, the Senate Interior and Insular Affairs Committee, in addition to the Finance Committee and also attend the Senate.

The record may show just how efficient a job we did yesterday on all the fronts, but I could see the Secretary was tired and so we adjourned until 9 this morning.

Senator ANDERSON. I want to say, Mr. Secretary, if this goes on to 6:30 this afternoon, whoever examines you will be alone.

Senator MALONE. Some of us started our day at 6 o'clock yesterday morning and at 6 o'clock last night I suggested to the Senator from Louisiana, who had just finished cross-examination, that we might start at 9 this morning and finish in time to take Mr. Dulles at 10. Everybody agreed.

Senator ANDERSON. If there is no objection, then, when Secretary Dulles comes, we will start with him at 10 o'clock.

Senator MALONE. Mr. Secretary, you and I have been acquainted for a long time. I have admired you for a long time; the work that you have done in your manufacturing, in private business, and now in Washington as a member of the Cabinet of the first Republican administration we have had in the memory of some of the younger Republican voters. I wish you the best of luck in your work.

Whether you and I always agree or not, I want you to have a successful tenure in office. I will try not to repeat too many of the questions that I have already asked Mr. Dulles because I presume that you and Mr. Dulles are in agreement on practically everything, at least on this bill.

STATEMENT OF HON. SINCLAIR WEEKS, SECRETARY OF COMMERCE, ACCOMPANIED BY HENRY KEARNS, ASSISTANT SECRETARY OF COMMERCE FOR INTERNATIONAL AFFAIRS; J. ALLEN OVERTON, JR., DEPUTY GENERAL COUNSEL; ROBERT SIMPSON, DIRECTOR OF OFFICE OF ECONOMIC AFFAIRS, BUREAU FOREIGN COMMERCE; AND CARL BLACKWELL, DIRECTOR, INTERNATIONAL ECONOMIC ANALYSIS DIVISION, BUREAU OF FOREIGN COMMERCE—Resumed

Secretary WEEKS. Yes, sir.

Senator MALONE. For 100 years the Republican Party always advocated a duty or tariff to equalize wages and the cost of doing business here and in the chief competing nations on each product. I am saying this to emphasize saying the fundamental difference in the philosophy of the two parties. What was our policy in regard to foreign trade—trade with foreign nations since the inception of the party, starting with Abraham Lincoln?

Secretary WEEKS. You mean as between the two political parties?

Senator MALONE. No, not between the parties. Just what was our philosophy?

Secretary WEEKS. You mean the country's philosophy?

Senator MALONE. Ours, Republicans, whether we were in power or not, it was the country's policy when we were in power.

Secretary WEEKS. Generally speaking as our industries developed over the years we leaned more to the protectionist side.

However, almost every President, Republican Presidents I speak of now, from McKinley on, urged the establishment of reciprocal trade agreement legislation.

Senator MALONE. Could you tell me what McKinley's policy really was? He has been quoted quite a few times. Do you know actually what it was?

Secretary WEEKS. I only know what he said about reciprocal trade.

Senator MALONE. What did he say?

Secretary WEEKS. I haven't got the quotation here, sir.

Senator MALONE. Would you mind, then, looking it up and inserting it in the record?

Secretary WEEKS. I certainly will, yes, sir.

Senator MALONE. I ask permission that the Secretary be allowed to do that and I will do the same thing.

Senator ANDERSON. We Democrats are glad to welcome into the record any reference to McKinley.

(The Secretary of Commerce subsequently forwarded to the committee for insertion in the record the following excerpt from the last speech of William McKinley, delivered at the Pan-American Exposition at Buffalo, September 5, 1901.)

By sensible trade arrangements, which will not interrupt our home product, we shall extend the outlets for our increasing surplus. A system which provides a mutual exchange of commodities is manifestly essential to the continued and healthful growth of our export trade. We must not repose in fancied security that we can forever sell everything and buy little or nothing. If such a thing were possible, it would not be best for us or for those with whom we deal. We should take from our customers such of their products as we can use without harm to our industries and labor. Reciprocity is the natural outgrowth of our wonderful industrial development under the domestic policy now firmly established * * *.

The period of exclusiveness is past. The expansion of our trade and commerce is the pressing problem. Commercial wars are unprofitable. A policy of good will and friendly trade relations will prevent reprisals. Reciprocity treaties are in harmony with the spirit of the times; measures of retaliation are not.

If perchance some of our tariffs are no longer needed for revenue or to encourage and protect our industries at home, why should they not be employed to extend and promote our markets abroad?

Senator MALONE. As a matter of fact, McKinley was a protectionist, was he not?

Secretary WEEKS. Generally speaking I guess he was.

Senator MALONE. You do not need to guess. I think you know he was, do you not?

Secretary WEEKS. I think he was, yes.

Senator MALONE. Will you just answer that "yes" or "no"? I think it can be done.

Secretary WEEKS. To the best of my knowledge and belief, yes.

Senator MALONE. That is a little better. It will save time in this committee and I do not want to subject you to a long grilling here, but the record we are about to make is important.

Now as a matter of fact, do you know what the 1930 Tariff Act, passed by the Congress and signed by the President in 1930 under Republican guidance really was? Do you know what the 1930 Tariff Act provided?

Secretary WEEKS. I know in a general way of course.

Senator MALONE. Don't you know a little better than in a general way?

Secretary WEEKS. I cannot recite every rate that was cited in the Smoot-Hawley bill.

Senator MALONE. I did not ask for specific rates. Do you know what the general policy was?

Secretary WEEKS. Yes, sir.

Senator MALONE. What was it?

Secretary WEEKS. It was a protectionist policy.

Senator MALONE. It protected American workingmen's jobs and investors investments with a flexible tariff adjusted to represent the difference in such costs. What did it say in general, not the specific language, but can you tell me the policy laid down by the act?

Secretary WEEKS. Not without referring to the——

Senator MALONE. Would you mind if I tell you just to refresh your memory.

Secretary WEEKS. No, sir.

Senator MALONE. It was a protective policy, section 336 of the 1930 Tariff Act, called Equalization of Costs of Production, excerpts from section 336, Tariff Act 1930, Public Law 3621. I will quote pertinent parts of the section and ask that it be put in the record.

Senator ANDERSON. That will be done.

(The excerpts from section 336 and the letters from the Tariff Commission are as follows:)

THE TARIFF ACT OF 1930, PUBLIC LAW 361

(Excerpts from sec. 336.)

SEC. 336. EQUALIZATION OF COSTS OF PRODUCTION.

(a) CHANGE OF CLASSIFICATION OR DUTIES.—In order to put into force and effect the policy of Congress by this Act intended, the commission (1) upon request of the President, or (2) upon resolution of either or both Houses of Congress, or (3) upon its own motion, or (4) when in the judgment of the commission there is good and sufficient reason therefor, upon application of any interested party, shall investigate the differences in the costs of production of any domestic article and of any like or similar foreign article. In the course of the investigation the commission shall hold hearings and give reasonable public notice thereof, and shall afford reasonable opportunity for parties interested to be present, to produce evidence, and to be heard at such hearings. The commission is authorized to adopt such reasonable procedure and rules and regulations as it deems necessary to execute its functions under this section. The commission shall report to the President the results of the investigation and its findings with respect to such differences in costs of production. If the commission finds it shown by the investigation that the duties expressly fixed by statute do not equalize the differences in the costs of production of the domestic article and the like or similar foreign article when produced in the principal competing country, the commission shall specify in its report such increases or decreases in rates of duty expressly fixed by statute (including any necessary change in classification) as it finds shown by the investigation to be necessary to equalize such differences. In no case shall the total increase or decrease of such rates of duty exceed 50 per centum of the rates expressly fixed by statute.

(b) CHANGE TO AMERICAN SELLING PRICE.—If the commission finds upon any such investigation that such differences cannot be equalized by proceeding as hereinbefore provided, it shall so state in its report to the President and shall specify therein such ad valorem rates of duty based upon the American selling price (as defined in section 402 (g)) of the domestic article, as it finds shown by the investigation to be necessary to equalize such differences. In no case shall the total decrease of such rates of duty exceed 50 per centum of the rates expressly fixed by statute, and no such rate shall be increased.

(c) PROCLAMATION BY THE PRESIDENT.—The President shall by proclamation approve the rates of duty and changes in classification and in basis of the value specified in any report of the commission under this section, if in his judgment such rates of duty and changes are shown by such investigation of the commission to be necessary to equalize such differences in costs of production.

(d) EFFECTIVE DATE OF RATES AND CHANGES.—Commencing thirty days after the date of any presidential proclamation of approval the increased or deceased rates of duty and changes in classification or in basis of value specified in the report of the commission shall take effect.

(e) ASCERTAINMENT OF DIFFERENCES IN COSTS OF PRODUCTION.—In ascertaining under this section the differences in costs of production, the commission shall take into consideration, in so far as it finds it practicable:

(1) IN THE CASE OF A DOMESTIC ARTICLE.—(A) The cost of production as hereinafter in this section defined; (B) transportation costs and other costs incident to delivery to the principal market or markets of the United States for the article; and (C) other relevant factors that constitute an advantage or disadvantage in competition.

(2) IN THE CASE OF A FOREIGN ARTICLE.—(A) The cost of production as hereinafter in this section defined, or, if the commission finds that such cost is not readily ascertainable, the commission may accept as evidence thereof, or as supplemental thereto, the weighted average of the invoice prices or values for a representative period and/or the average wholesale selling price for a representative period (which price shall be that at which the article is freely offered for sale to all purchasers in the principal market or markets of the principal competing country or countries in the ordinary course of trade and in the usual wholesale quantities in such market or markets); (B) transportation costs and other costs incident to delivery to the principal market or markets of the United States for the article; (C) other relevant factors that constitute an advantage or disadvantage in competition, including advantages granted to the foreign producers by a government, person, partnership, corporation, or association in a foreign country. * * *

UNITED STATES TARIFF COMMISSION

Hon. GEORGE W. MALONE,
United States Senate.

DEAR SENATOR MALONE: Reference is made to your telephone request to Mr. McCauley of our legal staff, on January 28, 1958, for a statement of the provisions of the several trade agreements to which the United States is a contracting party governing termination of such agreements. You are particularly interested in the procedures available for terminating our outstanding trade agreement concessions on petroleum and petroleum products so as to accomplish the reinstatement of the statutory rates of duty on such articles.

Subsection (b) of section 2 of the Trade Agreement Act of 1934, as amended, provides:

"Every foreign trade agreement concluded pursuant to this Act shall be subject to termination, upon due notice to the foreign government concerned, at the end of not more than three years from the date on which the agreement comes into force, and, if not then terminated, shall be subject to termination thereafter upon not more than six months' notice."

All existing bilateral trade agreements to which the United States is a contracting party are now subject, in accordance with the terms thereof, to termination upon the expiration of 6 months after either the United States or the respective foreign country gives notice to the other party of its intention to terminate the agreement.

Any contracting party to the General Agreement on Tariffs and Trade (GATT) (including the United States), in accordance with the terms of the protocol of provisional application of the General Agreement on Tariffs and Trade, is free to withdraw from the agreement upon the expiration of 60 days after notice of such withdrawal is received by the Secretary General of the United Nations.

The United States could, under the above-mentioned procedures, eliminate all trade agreement obligations. In these circumstances, the statutory rates of duty (or in certain instances, the rates established pursuant to sec. 336 of the Tariff Act of 1930) for the articles currently covered by trade agreement concessions would become effective. With respect to those articles covered in the GATT and not previously or presently covered in a bilateral agreement, the reinstatement of the effectiveness of the statutory rates of duty thereon could be accomplished solely by withdrawal from the GATT. With respect to those articles covered in the GATT, which are also covered in a bilateral agreement between the United States and a foreign country that is now a contracting party to the GATT, and the bilateral agreement has not been terminated, termination of the bilateral agreement in question, in addition to withdrawal from GATT, would be necessary to bring about the effectiveness of the statutory rates. Finally, with respect to those articles covered only in a currently effective bilateral agreement, termination of the said agreement would be necessary for the reinstatement of the statutory rates of duty.

Petroleum, crude, fuel, or refined, and all distillates obtained from petroleum, including kerosene, benzine, naphtha, gasoline, paraffin, and paraffin oil, not specially provided for, are free of duty under paragraph 1733 of the Tariff Act of 1930. However, under the Internal Revenue Code of 1932, as amended, the following import taxes (duties) were provided for: Crude petroleum, one-half-cent per gallon; fuel oil derived from petroleum, gas oil derived from petroleum, and all liquid derivatives of crude petroleum, except lubricating oil and gasoline and other motor fuel, one-half-cent per gallon; gasoline or other motor fuel 2½ cents per gallon; lubricating oil, 4 cents per gallon; paraffin and other petroleum wax products, 1 cent per pound. These taxes were continued in the Internal Revenue Code of 1939.

In 1939, pursuant to concessions granted by the United States in the bilateral trade agreement with Venezuela, the rate of tax on crude petroleum and fuel oil derived from petroleum was reduced to one-fourth cent per gallon, applicable to imports of such products which were not in excess of 5 percent of the total quantity of crude petroleum processed in continental United States refineries during the preceding calendar year. All imports in excess of this amount remained subject to the one-half-cent-per-gallon tax.

In 1943, in a bilateral trade agreement with Mexico, the 5-percent-tariff-rate quota was superseded by a concession tax rate of one-fourth cent per gallon on an unlimited quantity of imports of such articles. In addition, the tax on kerosene and liquid petroleum asphaltum, including cutbacks, and road oil was reduced to one-fourth cent per gallon pursuant to the Mexican agreement.

In the GATT (Geneva 1947), a concession was made as follows:

"Topped crude petroleum, fuel oil derived from petroleum including fuel oil known as gas oil, and all-liquid derivatives of crude petroleum (except lubricating oil and such derivatives specified hereinafter in any item 3422 [of the Internal Revenue Code]), one-fourth cent per gallon."

This GATT concession contains a proviso to the effect that in no event shall the import tax applicable to topped crude petroleum be less than the rate of tax applicable to crude petroleum.

The following rates of duty are also provided for in GATT: Mineral oil of medicinal grade, derived from petroleum, one-half cent per gallon; gasoline and other motor fuel, 1¼ cents per gallon; lubricating oil, 2 cents per gallon; and paraffin and other petroleum wax products, one-half cent per pound.

Effective January 1, 1951, the bilateral trade agreement with Mexico was terminated. This resulted in (a) the reinstatement of the concessions granted in the bilateral trade agreement with Venezuela, with particular emphasis on the reestablishment of the 5 percent of domestic refinery output tariff-rate quota, supra, and (b) the tariff-rate quota becoming applicable to topped crude petroleum, in accordance with the proviso to the GATT concession, supra. This joint Venezuela-GATT arrangement remained in effect until late 1952.

In 1952 the President entered into a trade agreement supplementary to the 1939 agreement with Venezuela. Pursuant to this agreement (effective October 1952), the tariff-rate quota on crude petroleum, fuel oil, gas oil, and topped crude petroleum was removed. In addition, the tax on these products testing under 25 degrees (American Petroleum Institute) was further reduced to one-eighth cent per gallon. Also, the following GATT rates were granted to Venezuela: Gasoline or other motor fuel, 1¼ cents per gallon; lubricating oil, 2 cents per gallon; and paraffin and other petroleum wax products, one-half cent per pound.

The Internal Revenue Code of 1954 reenacted the taxes originally established by the 1932 code, as amended, and continued in the 1939 code, but such reenactment specifically preserved existing trade agreement rates.

In order to accomplish the reinstatement of the statutory rates of duty on these petroleum products by the termination process (as distinguished from elimination of the particular concession by such negotiating procedures as may be available), it would be necessary for the United States to withdraw from the GATT and to terminate the bilateral agreement with Venezuela. It should be noted that the termination of trade agreements would not, in all instances, result in higher duties. The higher-than-statutory rates of duty which have been established pursuant to the trade agreements legislation (including those established under the escape-clause procedure), would be superseded by the lower statutory rates.

Sincerely yours,

EDGAR B. BROSSARD, *Chairman.*

UNITED STATES TARIFF COMMISSION,
Washington, D. C., March 4, 1958.

Hon. GEORGE W. MALONE,
United States Senate.

DEAR SENATOR MALONE: This is in response to your request this morning for an explanation of how the protocol of provisional application of the General Agreement on Tariffs and Trade permits the United States to withdraw from that agreement upon 60 days' notice.

The basic general agreement was signed at Geneva on October 30, 1947. Article XXXI of the general agreement provided that any contracting party may withdraw from the agreement on or after January 1, 1951, upon 6 months' notice. Article XXVI of the agreement provides for the definitive entry into force thereof under specified conditions. The agreement, however, has never entered definitively into force. However, it has been applied by the United States since January 1, 1948, pursuant to the protocol of provisional application of the General Agreement on Tariffs and Trade signed at Geneva, Switzerland, on October 30, 1947, the same date on which the general agreement itself was signed.

Paragraph 5 of the protocol of provisional application provides that "Any government applying this protocol shall be free to withdraw such application, and such withdrawal shall take effect upon expiration of 60 days from the day on which written notice of such withdrawal is received by the Secretary General of the United Nations." Since the United States is one of the governments applying the protocol of provisional application, and since the general agreement is being applied by the United States in pursuance of the protocol, it follows that the United States, under paragraph 5 of the protocol, may withdraw the provisional application of the agreement upon the expiration of 60 days from the day on which written notice of such withdrawal is received by the Secretary General of the United Nations. If the United States should withdraw the provisional application of the agreement pursuant to the protocol, it would automatically cease to apply the provisions of the general agreement because the agreement will not have entered into force pursuant to article XXXI of the general agreement.

Sincerely yours,

EDGAR B. BROSSARD, *Chairman*.

Senator MALONE. Section 336- Equalization of Costs of Production, subsection A:

CHANGE OF CLASSIFICATION OR DUTIES.—In order to put into force and effect the policy of Congress by this Act intended, the Commission (1), upon the request of the President or (2) upon resolution of either or both Houses of Congress or (3) upon its own motion or (4) when in the judgment of the Commission there is good and sufficient reason therefor, upon application of any interested party, shall investigate the differences in the costs of production of any domestic article and of any like or similar foreign article.

In other words, when they have reason to believe that the cost-of-production relation between this Nation and the chief competing country has changed on any product, then they can reexamine that article and determine what that change is and recommend it as the tariff.

That is what it says: It is specific that they can reexamine that difference in cost of production for practically any reason. This committee, for example, can pass a resolution requesting them to investigate any particular commodity; then they do it under this act.

Now you understand, or do you, that the Tariff Commission is an agent of Congress?

Secretary WEEKS. Yes, sir; I do.

Senator MALONE. All right, then. What does the Commission do when it takes up a product upon such a request or upon their own motion?

You do not need to guess, I will read what it does for the record:

If the Commission finds it shown by the investigation that the duties expressly fixed by statute do not equalize the differences in the costs of production of the domestic article and the like or similar foreign article when produced in the principal competing country, the Commission shall specify in its report such increases or decreases in rates of duty expressly fixed by statute (including any necessary change in classification) as it finds shown by the investigation to be necessary to equalize such differences.

It sets down in words of one syllable what they shall do and how they shall do it. They shall determine the cost of production differences if the cost differences are found to have varied from the last investigation or from the existing duty. Then they make an investigation to determine what the cost here is at the time of the investigation, not the high cost nor the low cost but the reasonable cost, and then what the cost of production is in the chief competing country of that product or a like product, not the high cost nor the low cost, but the reasonable cost.

And, Mr. Secretary, they recommend the difference to be the tariff. Now what does that policy mean? It has been followed in general although awkwardly at times since the first Tariff Act in 1789.

It means that the duty or tariff is designed to take the profit out of sweatshop wages at the water's edge.

Congress was continually improving the process, but there was just one objective of all those tariff bills for 150 years and that was to equalize the cost of production and under that policy free trade would be immediate and automatic when and if the chief competing country reached a standard of living in general equal to that of the United States of America.

Would you not judge that that was the objective?

Secretary WEEKS. I think so; yes.

Senator MALONE. For the edification of the good folks testifying who apparently do not know what the law is now or what happens if this one under which we are working today is not extended.

Now, do you know just what happens if this act about which you are testifying today is not extended?

Secretary WEEKS. I think I do; yes, sir.

Senator MALONE. Will you explain it for the record?

Secretary WEEKS. There are no further agreements entered into.

Senator MALONE. Either at Geneva by the 37 nations of which we are one, or by the Secretary of State making bilateral agreements.

Secretary WEEKS. That is correct.

Senator MALONE. Bilateral or multilateral.

Secretary WEEKS. That is right, and we stand on the——

Senator MALONE. That is after midnight, the 30th of this month.

Secretary WEEKS. Yes, sir, and we stand on the agreements that are in vogue unless they are abrogated by the established procedure or by act of Congress.

Senator MALONE. Now what is established procedure?

Secretary WEEKS. I believe on 6 months' notice we give notice that we intend to withdraw concessions and the agreement is at an end.

The multilateral agreements are abrogated upon 60 days' notice and the bilateral on 6 months' notice.

Senator MALONE. Who gives the notice?

Secretary WEEKS. The State Department.

Senator ANDERSON. Whichever party wanted to abrogate it.

Secretary WEEKS. Sir?

Senator ANDERSON. Whichever party wanted to abrogate it, ourselves or——

Secretary WEEKS. Ourselves or the other side.

Senator MALONE. Only the State Department could do that?

Secretary WEEKS. The President is the individual who takes the action obviously by direction of Congress, of course such a procedure could be undertaken, would be undertaken.

Senator MALONE. But the State Department acts for the President.

Secretary WEEKS. Yes, sir.

Senator MALONE. It is generally understood, is it not, that the State Department is the spearhead for the President in all these negotiations?

Secretary WEEKS. The State Department is one agency. It is the agency that takes the lead in these negotiations.

Senator MALONE. They really represent the President at Geneva in negotiations for a bilateral or multilateral trade agreement.

Secretary WEEKS. But today, as I pointed out in my testimony yesterday, the President has established a Trade Policy Committee under the chairmanship of the Secretary of Commerce, and I am sure no action, affirmative action, would be taken without this committee's advice to the President on the subject.

Senator MALONE. Who are the members of that Committee?

Secretary WEEKS. The Chairman is the Secretary of Commerce and the others are the Secretary of State, the Secretary of the Interior.

Senator MALONE. All Cabinet members?

Secretary WEEKS. Yes, sir.

Senator MALONE. All the Cabinet members?

Secretary WEEKS. Yes, sir.

Senator MALONE. Is that all?

Secretary WEEKS. No, not all of the Cabinet members but all the members are members of the Cabinet.

Senator MALONE. Then will you complete the membership for the record if you just do not happen to remember all the members. If you do, name them now.

Secretary WEEKS. Treasury, Agriculture, Interior, State, Commerce and Defense, and Labor.

Senator MALONE. You understand that your testimony will be furnished to you for completion of material?

Secretary WEEKS. Yes.

Senator MALONE. But the Secretary of State does take the lead in these negotiations on bilateral trade agreements made between the United States and any other nation and also at Geneva, does he not?

Secretary WEEKS. Yes, sir, as far as the actual negotiations are concerned.

Senator MALONE. Yes, and then——

Secretary WEEKS. But in the preparation for the negotiations, the Trade Policy Committee discusses who shall be our representatives and advises the President as to who shall be the representatives and what the agenda shall be and so on.

Senator MALONE. Do you have a Chairman of this Policy Committee?

Secretary WEEKS. The Secretary of Commerce is Chairman.

(The Secretary of Commerce subsequently forwarded to the committee, for insertion in the record, the following documents relating to the Trade Policy Committee, which are set forth in full below: (*a*) The Executive order establishing the Committee; (*b*) statement of functions and operations procedures; (*c*) related public announcements.)

[Press release, November 25, 1957, Anne Wheaton, Associate Press Secretary to the President]

THE WHITE HOUSE.

The President today issued an Executive order establishing a Trade Policy Committee to advise and assist him in the administration of the reciprocal-trade program. The new order establishes a Trade Policy Committee to recommend to the President basic policies for the administration of the Trade Agreements Act. The Trade Policy Committee consists of the Secretaries of State, Treasury, Defense, Interior, Agriculture, Commerce, and Labor, with the Secretary of Commerce as its Chairman.

Heretofore, recommendations on the administration of the Trade Agreements Act have been made directly to the President by an interagency committee known as the Trade Agreements Committee. These recommendations will now be reviewed by the new Cabinet-level Trade Policy Committee before going to the President.

An important new function which will be carried on by the new Trade Policy Committee will be to advise the President with respect to recommendations by the Tariff Commission in escape-clause cases. The escape clause is a provision of the Trade Agreements Act under which the United States may raise tariffs above the level established in our trade agreements if serious injury is threatened to American industry.

In issuing the Executive order, the President pointed out that the reciprocal-trade program is now one of our most important programs in the field of foreign economic policy and should, therefore, be under constant consideration by a Cabinet-level committee with increased responsibility in the Secretary of Commerce, who is responsible for the development of foreign and domestic commerce.

Executive Order 10741

Establishing the Trade Policy Committee

By virtue of the authority vested in me by the Constitution and statutes, including the Trade Agreements Act approved June 12, 1934, as amended (48 Stat. 943; 57 Stat. 125; 59 Stat. 410; 63 Stat. 698; 65 Stat. 72; 69 Stat. 162; 19 U. S. C. 1351–1354), it is ordered as follows:

Section 1. There is hereby established the Trade Policy Committee, consisting of the Secretary of State, the Secretary of the Treasury, the Secretary of Defense, the Secretary of the Interior, the Secretary of Agriculture, the Secretary of Commerce, and the Secretary of Labor, or of alternates designated by them. Such alternates shall be officials who are required to be appointed by the President with the advice and consent of the Senate. The Secretary of Commerce or his alternate shall be the Chairman of the Committee. The Committee may invite the participation in its activities of other Government agencies when matters of interest thereto are under consideration; provided that such participation shall be limited to the heads of such agencies, or their alternates who are required to be appointed to office as above described.

Section 2. The Trade Policy Committee shall make recommendations to the President on basic policy issues arising in the administration of the trade-agreements program, which, as approved by the President, shall guide the Interdepartmental Committee on Trade Agreements established by paragraph 1 of Executive Order No. 10082 of October 5, 1949 (hereinafter referred to as the Trade Agreements Committee), in carrying out its functions.

Section 3. Each recommendation made by the Trade Agreements Committee to the President, together with the dissent of any agency, shall be transmitted to the President through the Trade Policy Committee, which shall submit to the President such advice with respect to such recommendation as it may deem appropriate. The said Executive Order No. 10082 is hereby amended accordingly.

Section 4. The Trade Policy Committee shall make recommendations to the President as to what action, if any, he should take on reports submitted to him by the United States Tariff Commission pursuant to section 7 of the Trade Agreements Extension Act of 1951, as amended (65 Stat. 74; 67 Stat. 472; 69 Stat. 166), and pursuant to Executive Order No. 10401 of October 14, 1952.

Section 5. Agencies of the Government shall furnish the Trade Policy Committee available information upon request of the Committee therefor for use in connection with the carrying out of the functions conferred upon the Committee by this order.

Dwight D. Eisenhower.

The White House,
November 25, 1957.

(Published in Federal Register, issue of November 27, 1957, Vol. 22, F. R. p. 9451.)

[Press release Department of Commerce, Office of the Secretary, Washington, D. C., November 25, 1957]

Secretary Weeks Issues Statement on Trade Policy Committee

Following the announcement by the White House that the President had established a Trade Policy Committee, composed of seven Cabinet members to advise and assist him in the administration of the reciprocal trade program, Secretary of Commerce Sinclair Weeks, Chairman of the Trade Policy Committee, said:

"A major objective of the new Cabinet committee will be to strengthen the American economy through the sound and vigorous development of world trade.

"International trade is not something apart from American industry or a substitute for it. Rather, it is a projection and an aid to American industry and commerce. Hence its healthy development both safeguards the Nation's economy from weakening influences and provides increasing opportunities for expanded business and employment.

"Instead of creating hazards to domestic business, its proper development strengthens the economy and thereby helps all business and those employed by business.

"Among the new steps to promote the reciprocal trade program are the following:

"(1) A policy-recommending unit at Cabinet level reflecting widespread responsibilities in foreign economic policy and domestic affairs.

"(2) Since 1934 an interagency committee known as the Trade Agreements Committee has made recommendations to the President on the administration of the Trade Agreements Act. Such recommendations will now be reviewed by the Cabinet Committee before going to the President.

"(3) An extremely important new function assigned to the Cabinet Committee is to advise the President on action to be taken by him on recommendations by the Tariff Commission in escape clause cases. The President thus will receive counsel reflecting a wide scope of experience and responsibility.

"The new arrangement is another demonstration of the importance which the Administration places on the development of vigorous trade programs with a favorable impact on the entire economy. It will be a sort of 'watchdog' group, giving constant consideration to the progress of the nation's reciprocal trade program."

[Press release, Department of Commerce, Office of the Secretary, Washington, D. C., January 13, 1958]

Secretary of Commerce Sinclair Weeks today announced that the Trade Policy Committee with the approval of the President has adopted a statement of functions and operating procedures.

The statement is set forth in a memorandum for the President signed by the Secretary as Chairman of the seven-member Cabinet Committee.

The President, in issuing the Executive order (November 25, 1957) establishing the committee, stated that it would advise and assist him in the administration of the reciprocal-trade program.

The President also pointed out that "the reciprocal-trade program is now one of our most important programs in the field of foreign economic policy and should, therefore, be under constant consideration by a Cabinet-level Committee with increased responsibility in the Secretary of Commerce, who is responsible for the development of foreign and domestic commerce."

Memorandum as approved by the President is attached.

THE SECRETARY OF COMMERCE,
Washington, D. C., January 10, 1958.

Memorandum for the President

As Chairman of the Trade Policy Committee, established by Executive Order of November 25, 1957, this is to inform you that the Committee has adopted the following statement regarding its functions and operating procedures. The statement has been approved by all of the members of the Committee—the Secretaries of Commerce, State, Treasury, Defense, Interior, Agriculture, and Labor.

FUNCTIONS OF THE TRADE POLICY COMMITTEE

The functions assigned to the Trade Policy Committee by the Executive Order of November 25, 1957, establishing the Committee are to (1) make recommendations to the President on basic policy issues arising in the administration of the trade-agreements program, which, as approved by the President, shall guide the interdepartmental Committee on Trade Agreements; (2) advise the President with respect to the recommendations made by the Trade Agreements Committee to the President; and (3) make recommendations to the President as to what action he should take on escape-clause reports submitted by the Tariff Commission.

In carrying out these functions, the Trade Policy Committee will be concerned therefore, with the following types of activities among others: (1) recommendations with respect to tariff negotiations, including compensation cases, (2) review and recommendations in escape clause case, (3) recommendations in certain other tariff matters such as the use of the Geneva Wool Reservation, (4) recommendations on United States positions with respect to any voluntary export arrangements of foreign countries, and (5) recommendations on other policy issues arising in the administration of the trade agreements program including all policy position papers for the GATT.

In connection with tariff negotiations the Trade Policy Committee will be responsible for recommendations to the President regarding the initiation of tariff negotiations including the timing, preparations, and policy with respect to adherence to the peril-point findings. The Committee will review the recommendations of the Trade Agreements Committee regarding the list of items to be considered for tariff negotiations and will forward the list with comment to the President. The final list of items recommended by the Trade Agreements Committee for tariff negotiation, together with the tariff concessions proposed to be offered and sought, will be transmitted to the President through the Trade Policy Committee which will submit to the President such advice as it may deem appropriate. The Trade Policy Committee will be consulted on the proposed composition and membership of the delegation to the GATT and submit to the President such advice thereon as it may deem appropriate.

When it becomes necessary to modify or withdraw a tariff concession, as under an escape clause action, recommendations for compensatory tariff reductions will be reviewed by the Trade Policy Committee. Similarly, when other countries withdraw tariff concessions, recommendations regarding compensation to be sought by the United States, as well as the adequacy of compensation offered, will be reviewed by the Trade Policy Committee. Such recommendations of the Trade Agreements Committee will, after such review, be transmitted to the President through the Trade Policy Committee, which will submit to the President such advice thereon as it may deem appropriate.

It will be the responsibility of the Trade Policy Committee to review the reports (findings and recommendations) of the Tariff Commission submitted to the President relating to escape clause cases and relating to review of prior escape clause modifications of tariff concessions; and the Trade Policy Committee will make recommendations to the President as to what action he should take on such reports.

The Trade Policy Committee will also consider and formulate such recommendations as it may deem appropriate in certain other matters, such as the Geneva Wool Reservation.

In these matters the Trade Policy Committee will have the responsibility of submitting to the President its analysis of the issues involved together with its recommendations. Whenever the members of the Committee are not unanimous, the report shall state the several recommendations and the points of disagreement upon which the differences rest. In carrying out these responsibilities, in particular matters, the Committee should request and consider the written views of other interested departments or agencies not represented on the Trade Policy Committee, and may invite their personal participation, as appropriate.

The Trade Policy Committee will review policy position papers and instructions for the United States delegation at the annual meetings and intersessional meetings of the GATT, and submit to the President such advice with respect thereto as it may deem appropriate. Whenever the members of the committee are not unanimous, the report shall state the several recommendations and the points of disagreement upon which the differences rest.

It is recognized that the emphasis which will be given by the Trade Policy Committee to various problems within the functions assigned to it by the President may need to be reconsidered from time to time in the light of its operating experience.

OPERATING PROCEDURES OF THE TRADE POLICY COMMITTEE

Escape clause action

From time to time the Tariff Commission will present a report for Presidential action. The Executive Secretary of the Trade Policy Committee will receive these reports and circulate copies to each member of the Committee. Thereafter, a meeting of the Committee will be convened for discussion of the Tariff Commission report and the various views submitted. The product of this meeting will be a report to the President presenting the comprehensive viewpoint of the Committee, including concurring and divergent views. The report will include a specific recommendation for Presidential action.

Review of Trade Agreements Committee recommendations

All recommendations to the President from the Trade Agreements Committee will be sent to the members of the Trade Policy Committee with the request that the Trade Policy Committee member inform the Chairman of any wishes and views regarding the interest that the Trade Policy Committee should take in the Trade Agreements Committee proposal. Such information from the Trade Policy Committee member must be received in the Office of the Trade Policy Committee within 5 working days unless a different submission period is provided with respect to a particular matter. If one or more protests or divergent views are received upon any Trade Agreements Committee recommendation, the Trade Policy Committee will be convened to discuss such matter. At the conclusion of such discussions, the Trade Policy Committee will prepare a report to the President showing the concurring and divergent views as well as its specific recommendation.

Recommendation on basic policy issues

From time to time the Trade Policy Committee will be presented with problems relating to basic policy decisions as contemplated by the Executive order. These subjects, in the form of proposals, shall be circulated to all members of the Trade Policy Committee and meetings will be held promptly at the request of any member of the Trade Policy Committee, culminating in a report to the President indicating concurring and divergent views and with specific recommendation for Presidential action.

At the request of any member of the Trade Policy Committee, the Committee will be convened to discuss any policy issue, which may arise in the administration of the trade-agreements program. To facilitate the task of selecting policy issues for Trade Policy Committee consideration, all documents of the Trade Agreements Committee (e. g., position papers for GATT meetings) will be transmitted to the Executive Secretary of the Trade Policy Committee for circulation to its members.

Staff operation

The staff of the Trade Policy Committee will include an Executive Secretary of the Committee located in the Department of Commerce.

SINCLAIR WEEKS,
Chairman, Trade Policy Committee.

Senator MALONE. Now then, to complete your explanation as to just how we get out of these trade agreements, is that all you have to say about it?

Secretary WEEKS. Yes; I think I have covered it.

Senator MALONE. I am going to correct the record. I was the State engineer of my State when this act was first passed. I said then in addresses, in debates, in my own State and elsewhere that it would destroy the United States of America if carried through to a logical conclusion. I did not understand then and I still do not understand how anybody can be for it if they fully understand what the ultimate effects are—what the effect is at the moment and what the ultimate effect on the workingmen and investors can be.

Now this is the way you get out of these trade agreements. First I would ask you if Congress should, by resolution, request the President or the Secretary of State or whoever does the job to serve such notice, do you have any doubt that the notice would be served?

Secretary WEEKS. No; I have no doubt but that it would.

Senator MALONE. You as the Chairman of the Policy Committee certainly would follow Congress request in that regard if they passed a joint resolution.

Secretary WEEKS. The ultimate power in these matters obviously rest with the Congress, Senator.

Senator MALONE. Then you are right about the bilateral trade agreements, and I will read that paragraph of a letter received from the Tariff Commission on January 29, signed by the Chairman, Mr. Brossard:

All existing bilateral trade agreements to which the United States is a contracting party are now subject, in accordance with the terms thereof, to termination upon the expiration of 6 months after either the United States or the respective foreign country gives notice to the other party of its intention to terminate the agreement.

Then within 6 months after that notice is served you understand that the products covered by that bilateral trade agreement would revert to the Tariff Commission, an agent of Congress under section 336 of the 1930 Tariff Act.

Secretary WEEKS. Yes, sir.

Senator MALONE. Now I stand corrected in my language in reference to GATT by Secretary of State Dulles. I referred to GATT as an organization, General Agreement on Tariffs and Trade, but he corrected me. It is merely an agreement and that each one of these agreements are called GATT—General Agreement on Tariffs and Trade. I find that he makes a technical difference and that he would rather we refer to it as the agreements, instead of an organization.

Do you understand it that way?

Secretary WEEKS. Yes; I do, and that is why for some time the administration has urged approval of the OTC. It would provide a permanent organization to administer these agreements.

Senator MALONE. That would have made it permanent, would it not?

Secretary WEEKS. It would have given continuity by permanency. I do not mean permanency to the agreements.

Senator MALONE. Permanency to the organization and the right to make the agreements.

Secretary WEEKS. A permanent organization instead of the meetings which are held once or twice a year, I think.

It would have given continuity to the machinery.

Senator MALONE. In other words, it would have been a permanent institution set up by Congress to make the agreements. The initial agreement included thousands of products.

Secretary WEEKS. No; because you could never make the agreements until all the members met, as they must do in order to make new agreements.

It would not have given any permanency to anything except it would simply have given continuity to the procedure of making the agreements.

Senator MALONE. Maybe I am not making myself entirely clear.

Secretary WEEKS. And I would add to that the machinery to administer them.

Senator MALONE. It would be permanent machinery by which such agreements could be continually made, canceled, and remade, and so forth.

Secretary WEEKS. No; I think you haven't stated it quite correctly. The 35 nations meet——

Senator MALONE. Thirty-six now, thirty-seven; we are one. Thirty-six foreign competitive nations are doing the job on us.

Secretary WEEKS. They meet 3 or 4 times a year.

Senator MALONE. Nobody knows here. We are not notified. I am glad to get this information that you meet that often.

Secretary WEEKS. When they meet, they make an agreement, and the only thing this OTC would have done would have been to help administer that agreement, if the agreement might not be lived up to here or there.

It would have given permanent machinery approved by Congress.

Senator MALONE. To enforce it.

Secretary WEEKS. To attempt on a continuous basis to attempt to keep the agreement in effect.

Senator MALONE. Yes, but the OTC was an organization of nations, was it not?

Secretary WEEKS. It would have had a representative from each nation.

Senator MALONE. It would have been an organization of nations, the OTC (Organization for Trade Cooperation)?

Secretary WEEKS. Yes, sir.

Senator MALONE. That is much better, and it did not take over 10 minutes to get that into the record. Now an international trade organization would have been the same thing, would it not?

Secretary WEEKS. No. An international trade organization?

Senator MALONE. We had that monstrosity before Congress before you arrived in Washington officially.

You were here several times. You were still in business then.

Secretary WEEKS. Yes.

Senator MALONE. You have not changed much either except you have joined the free trade side now. You were for protection when you were in business because you could not stay in business without it. I understand your situation. You can either agree or resign. You have that choice, do you not?

Secretary WEEKS. I have changed my mind, Senator. The world has changed some in the last 20 years.

Senator MALONE. You could resign if you had not changed your mind, couldn't you?

Secretary WEEKS. Yes, sir.

Senator MALONE. I have been in every nation in the world. I wanted to see our star boarders in order to vote intelligently on taxpayers' money going to them in the amount of billions of dollars, so I have seen the industries of every nation in the world including our ex-friend, Russia, and some of this poppycock that is going on about Russia at the State Department would shock a Russian. It shocks me, since I have been there.

Now to get back to our previous discussion. Do you remember the International Trade Organization ever having been before Congress preceding the OTC?

Mr. SIMPSON. Yes, Senator——

Senator MALONE. Identify yourself for the record.

Mr. SIMPSON. Robert Simpson.

Senator MALONE. Who are you?

Mr. SIMPSON. I am in Mr. Weeks' Department in the Bureau of Foreign Commerce.

Senator MALONE. What is your title?

Mr. SIMPSON. I am Director of the Office of Economic Affairs.

Senator MALONE. How long have you been there?

Mr. SIMPSON. In the Department of Commerce?

Senator MALONE. Yes.

Mr. SIMPSON. Eleven years.

Senator MALONE. You preceded the administration by some years.

Mr. SIMPSON. Yes, sir, that is right.

Senator MALONE. Were you familiar with the International Trade Agreements Act or the international trade agreements proposed legislation?

Mr. SIMPSON. I am broadly familiar with the proposal for the International Trade Organization. That was before I started this work, but I have read about it.

Senator MALONE. What did it provide?

Mr. SIMPSON. The International Trade Organization would have been quite different from the proposed OTC.

Senator MALONE. What was the objective of it?

Mr. SIMPSON. The International Trade Organization would have been an organization of governments dealing with a very comprehensive range of international economic subjects. In addition to the questions of tariffs and trade which the OTC would cover, the International Trade Organization would have covered questions of investments, of cartels, of commodity agreements, of employment, of a number of broad subjects of that character, and much of the opposition in the American business community, and I presume in the Congress to the——

Senator MALONE. It could have allocated materials to different nations.

Mr. SIMPSON. It could have dealt with agreements for that purpose.

Senator MALONE. Strategic and critical materials?

Mr. SIMPSON. Sir?

Senator MALONE. Could it allocate scarce materials to different nations?

Mr. SIMPSON. Well, it was not proposed that the organization itself engage in allocating, but the organization would have presided over rules for making agreements of that kind, yes.

Senator MALONE. If we had passed that act, we would have ceased being a nation. We would have just been a part of the world in the matter of trade, in the matter of distribution of materials, and in the matter of economic regulations.

Mr. SIMPSON. Well, Senator, that is a very broad description. I am not sure I could say yes or no to that characterization.

Senator MALONE. I am not sure that you know much about it yourself, but you thought you could answer it so I gave you a chance. That is exactly what it did mean.

Secretary WEEKS. Was the act passed?

Senator MALONE. No, it was not. This Congress has steadily and steadfastly turned down everything that would make anything of this nature permanent. God bless them for that.

Secretary WEEKS. It has entered in this bill, the same disclaimer that was in the previous legislation.

Senator MALONE. What?

Secretary WEEKS. The House in this proposed legislation has entered the same disclaimer as far as GATT is concerned.

Senator MALONE. They not only do not want to approve it, but they do not want any subtle language that might be interpreted by a sympathetic Supreme Court that we have approved it. That is right, is it not?

Secretary WEEKS. I understand that has been right up to this moment, yes, sir.

Senator MALONE. I think we are at the turning point. That is where I think we are. The people of the country are waking up. They are 10 years ahead of Congress. They could not believe that any administration or any Congress would do this to them. They are beginning to find it out that Congress is destroying their jobs and investments.

The International Trade Organization and the OTC—as long as you have gotten into that, I might just as well clear it up. I refer to page 261 of Senate Report No. 1627, 83d Congress. It would be very helpful to you if you obtained a copy of that report. Dozens of engineers, economists, and experts testified over a period of a couple of years. There are 10 volumes of testimony behind this 1 volume. I refer in the record to that volume, page 261, describing the International Materials Conference. It was really a part of this whole plan to throw us into a world setup that would pass on the proportion of such materials we could obtain, scarce materials, along with other nations.

Now in the matter of getting out of a multilateral trade agreement, any contracting party—I am reading now from the January 29 letter of the Chairman of the Tariff Commission, and if you have any doubts about this being correct, I hope you will discuss it further:

> Any Contracting Party to the General Agreement on Tariffs and Trade (GATT) (including the United States), in accordance with the terms of the Protocol of Provisional Application—

it has never been approved by Congress, any of these trade agreements or GATT. It has never been approved by Congress. GATT has never been submitted to us—

> the terms of the Protocol of Provisional Application of the General Agreement on Tariffs and Trade, is free to withdraw from the agreement upon the expiration of sixty days—

I don't want you to miss this—

> sixty days after notice of such withdrawal is received by the Secretary General of the United Nations.

You do not even have to notify each of the nations, just say this to the Secretary General, United Nations, and you are out in 60 days. Then do you understand that when you are out all of the products covered by the multilateral trade agreements revert automatically to the Tariff Commission under the 1930 act?

Secretary WEEKS. That is my understanding, yes, sir.

Mr. SIMPSON. Senator, I believe there is one reservation on that statement.

Senator MALONE. What is it?

Mr. SIMPSON. A number of the bilateral trade agreements which we made with countries in the prewar period before the GATT was conceived remain in abeyance. They are superseded by the GATT, but in the event that the GATT were to disappear, then the bilateral trade agreements resume their force.

Senator MALONE. You mean they were not made for any certain period. They were made permanently, were they?

Mr. SIMPSON. No, sir, they were not made permanently. They were made subject to the 3-year termination provision which the Congress directed.

Senator MALONE. They could be terminated under that 3-year termination.

Mr. SIMPSON. Yes, sir.

Senator MALONE. But it does not take 3 years' notice.

Mr. SIMPSON. No. They may be terminated individually on 60 days' notice. My only point is they are not terminated by a withdrawal from GATT.

Senator MALONE. I am glad I have this second letter. That bothered me, so I wrote Mr. Brossard again, and this is what he said. I think you should study these letters and section 336 and I am going to have them put in the record. We understand of course that there are a lot of holdovers like you down in all these departments and some of them have been there for 25 years and the policy goes on and on.

This is in response to your request this morning for an explanation of how the Protocol of Provisional Application of the General Agreement on Tariffs and Trade permits the United States to withdraw from the agreement upon 60 days' notice.

The basic general agreement was signed at Geneva on October 30, 1947. Article XXXI of the general agreement provided that any contracting party may withdraw from the agreement on or after January 1, 1951, upon 6 months' notice. Article XXVI of the agreement provides for the definitive entry into force thereof under specified conditions. The agreement, however, has never entered definitively into force. However, it has been applied by the United States since January 1, 1948, pursuant to the Protocol of Provisional Application of the General Agreement on Tariffs and Trade signed at Geneva, Switzerland, on October 30, 1947, the same date on which the general agreement itself was signed.

Now, Mr. Chairman, I ask that the 2 letters received from the Tariff Commission, 1 dated January 29 and the later 1 dated March 4, be inserted in the record immediately preceding the insertion of section 336 of the 1930 Tariff Act.

We are completely out of all multilateral trade agreements upon 60 days' notice, and all bilateral trade agreements upon 6 months' notice. Then the workingmen and investors of America are back in business.

Senator ANDERSON. Without objection that will be done.

Senator MALONE. Now, Mr. Secretary, there was a good deal of argument yesterday, and there has been considerable talking and argument and especially propaganda recently about the amount of foreign trade we have.

Mr. Secretary, I heard your testimony yesterday that we have $19 billion worth of trade. I studied your charts. I am putting a table in the record showing the amount of profitable trade—the exports of exportable goods from 1909 to 1957—that I want you to study. It is terribly hard to get any specific information on this subject from your Department. I would get an answering letter from somebody saying that my letter had been turned over to the proper authority and that I would receive the requested information. Then a couple of months would elapse with no information and I would write another letter. It was very difficult to get any pertinent information from your Department of Commerce or from the State Department.

It shows the total production of movable goods, exportable United States goods, by year, exports of United States merchandise, percent of movable goods exported, United States Government grants and loans net, exports minus United States grants and loans, ratio of column V which would be exports minus United States grants and loans, the ratio of column V to column I which is total production of movable goods, the amount that could have been exported in percentage, and this is the way it runs.

In 1909, the first record, we had exported 9.8 percent of our exportable goods. Now this, you understand, Mr. Secretary, is profitable trade, not what you give away or pay foreign nations to take. It does not include the goods on which you pay a subsidy to sell it, not when you buy it at the American support price and sell it at the world price or below like Mr. Benson has to do to get rid of his agricultural products.

And Mr. Benson is very perturbed because our goods go into these countries below the cost of production of the countries that have been furnishing these markets and then they get mad. But we call it foreign trade.

Now it went to 10.9 percent in 1919, 12.9 percent in 1921, and started down again, but ran from 5.8 to 6.29 percent from 1927 to 1942.

Let's take it to 1939, the year before the war started. It was 7.5 percent then. Of course, in the war years it immediately began to drop down. There was practically no foreign trade. It began to pick up again in 1945 when it was 7.3 percent, and so on down.

In 1955 it was 5.8. It was 6.3 in 1955. Mr. Chairman, I ask permission to insert this table in the record and to complete the table and any other record that is necessary for this testimony.

Senator ANDERSON. That permission will be granted.

(The tables referred to are as follows:)

United States production of movable goods, proportion exported, and foreign aid, selected years 1909–57

[Millions of dollars unless otherwise indicated]

Calendar year	Estimated United States production of movable goods	Total exports of United States merchandise	Ratio of exports to movable goods production (percent)	Military aid exports from United States	Net U.S. Government grants other than military aid shipments	Net U.S. Government loans [1]	Sum of cols. 4, 5, and 6	Col. 2 minus col. 7	Ratio of col. 8 to col. 1 (percent)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1909	17,437	1,701	9.8	....	....	....	....	1,701	9.8
1914	20,599	2,071	10.1	....	....	....	....	2,071	10.1
1919	47,210	7,750	16.4	....	39	2,328	2,367	5,383	11.4
1921	33,390	4,379	13.1	....	....	−30	−30	4,409	13.2
1923	44,853	4,091	9.1	....	....	−91	−91	4,182	9.3
1925	48,341	4,819	10.0	....	....	−27	−27	4,846	10.0
1927	48,035	4,759	9.9	....	....	−46	−46	4,805	10.0
1929	53,502	5,157	9.6	....	....	−38	−38	5,195	9.7
1931	32,835	2,378	7.2	....	....	−21	−21	2,399	7.3
1933	25,326	1,647	6.5	....	....	7	7	1,640	6.5
1935	34,133	2,243	6.6	....	....	(4)	(4)	2,243	6.6
1936	(2)	2,419	(3)	....	....	−1	−1	2,420	(3)
1937	44,853	3,299	7.4	....	....	(4)	(4)	3,299	7.4
1938	(2)	3,057	(3)	....	....	1	1	3,056	(3)
1939	41,671	3,123	7.6	....	....	15	15	3,108	7.6
1940	47,671	3,934	8.3	....	....	51	51	3,883	8.1
1941	64,267	5,020	7.8	(5)	932	391	1,323	3,697	5.8
1942	89,345	8,003	9.0	(5)	6,304	221	6,525	1,478	1.7
1943	99,851	12,842	12.9	(5)	12,738	109	12,847	−5	....
1944	105,617	14,317	13.6	(5)	13,846	231	14,077	240	.2
1945	101,411	10,309	10.2	(5)	6,642	1,019	7,661	2,748	2.7
1946	101,194	9,950	9.8	(5)	2,343	[6] 2,701	5,044	4,906	4.8
1947	123,799	15,160	12.2	(5)	1,940	[6] 3,907	5,847	9,313	7.5
1948	139,728	12,532	9.0	(5)	4,194	1,024	5,218	7,314	5.2
1949	125,199	11,936	9.5	(5)	5,207	652	5,859	6,077	4.9
1950	144,527	10,142	7.0	282	3,484	156	3,922	6,220	4.3
1951	165,080	14,879	9.0	1,065	3,035	156	4,256	10,623	6.4
1952	171,840	15,049	8.8	1,997	1,900	420	4,377	10,672	6.2
1953	182,674	15,652	8.6	3,511	1,837	218	5,566	10,086	5.5
1954	175,810	14,981	8.5	2,255	1,647	−93	3,809	11,172	6.4
1955	193,725	15,421	8.0	1,256	1,865	302	3,423	11,998	6.2
1956	202,055	18,940	9.4	1,757	1,695	626	4,078	14,862	7.4
1957	208,400	20,630	9.9	1,855	1,607	961	3,923	16,707	8.0

[1] Covers changes in both long- and short-term claims of the U. S. Government on foreign countries.

[2] Not available. (Prior to 1940, estimates of production of movable goods have been prepared only for years covered by a Census of Manufactures.)

[3] Not available. (See note 2.)

[4] Less than $50,000.

[5] Military aid shipments under the war and postwar lend-lease and Greek-Turkish aid programs are included in col. 5.

[6] Excluding United States subscriptions of $323 million in 1946 and $3,062 million in 1947 to capital of International Bank and Monetary Fund.

Prepared from basic data of the Department of Commerce, June 1958.

The above chart was prepared in an effort to obtain an accurate picture of what portion of our movable goods is being shipped abroad through the normal processes of international trade and without the benefit of subsidies, grants, gifts, and credits extended to the countries receiving American products at the expense of the American taxpayer. This objective has not been completely accomplished, nor, in the absence of any Government central authority collecting and collating the contributions, loans, barter deals, special donations and exchanges of goods for foreign currencies made to or with foreign countries by our numerous and various Government agencies at the expense of the American taxpayer, does it appear that a true picture can be given.

For example, exports of farm products under the barter program authorized in title III of Public Law 480 are included in column 2, showing total exports, but nowhere appear in column 5 or 6 listing, respectively, grants other than military aid and Government loans. In 1957 more than $400 million worth of farm products were exported under the barter program. In 1956 barter "sales" totaled $299 million and the year previously $125 million.

In 1957, according to Department of Agriculture statistics, $1,279 million in farm products were exchanged for foreign currencies, and the year previously $783 million. Foreign currency sales are presumedly included in column 6 of the Department of Commerce table, but the totals in that table for the years 1957 and 1956 are only $961 million and $626 million, respectively.

Of the $4.7 billion in agricultural exports last year, $1.9 billion moved under Government-financed programs other than CCC credit sales, or in other words were not sold for dollars. Dollar exports totaled $2.8 billion, but of this $1.1 billion involved subsidies in which the producer was reimbursed by the Government under the CCC program and the product then made available for export through commercial channels at world prices considerably below the domestic price. These sales, however meritorious the program may be from the standpoint of reducing the agricultural surplus, cannot be considered normal transactions in our commercial foreign trade. Yet the full amount is included in the export total, and nowhere reflected in column 5, 6, or 7.

Each of these taxpayer-financed programs, if accurate figures could be obtained, would reduce the total value of exports actually sold abroad under conditions of normal commercial trade, and the percentages of our movable goods which are exported through normal commercial channels within the classical concept of international trade.

The showing that $20,630 million of American products, military or otherwise, were exported during 1957 presents a distorted picture, not only of our foreign trade but also of our economy. Thus, if half of our movable product were shipped abroad as a gift, or bartered for foreign goods we did not want or need, or exchanged for foreign currencies we cannot use, the administration could boast that our exports had increased to more than $100 billion and that were now exporting 50 percent of our entire movable product. This would not reflect, however, any increased prosperity for the United States; it would reflect disastrous losses to our economy.

The 1934 Trade Agreements Act has not increased the proportion of our national product sold abroad for dollars; it has decreased that proportion. Yet the 1934 act was sold to Congress and the public partially on the claim that it would increase the share of our national production exported to foreign countries. To even attempt to move a comparable share of our national product into foreign countries, it has been necessary since World War II, to give or loan $75 billion to those countries, thus paying for the goods they buy with our own dollars, and to further create devious programs designed to permit them to buy our goods with worthless foreign currencies or to "pay" for them with their own products of which they have a surplus or to which they attach none or little value.

As may be seen from the chart above, incomplete as it is, from $3.4 billion to $5.8 billion of our export trade each year since the end of World War II has been fictitious from any commercial standpoint and actually financed in its entirety by the American taxpayer.

Secretary WEEKS. May I inquire what those tables are, Senator?

Senator MALONE. I want you to examine this table.

Secretary WEEKS. These tables were furnished to you by the Department?

Senator MALONE. Your Department furnished some of the information. However, it is so difficult to get any information from your Department on this subject that we have to dig it out the hard way.

I am going to make a statement to you that is contrary to all the propaganda spread over the United States by your Department and the State Department. I have never seen so much propaganda of it on anything. The Atlantic seaboard papers have an editorial at least three times a week on it.

If you subtract the money we give foreign nations and we have given them $70 billion since World War II, we have underwritten private investments in foreign countries against certain losses, and so on, the Import-Export Bank is loaning money at a very low rate of interest to these nations to build plants to compete with us. You and I can continue to study the foreign expense and with a little more promptness on the part of your Department we could come to a conclusion.

When you subtract all these giveaway items, cash and subsidies you arrive at an amount of profitable foreign trade even less percentage of our exportable goods that this Nation enjoyed in 1934 when the act was first passed. In this committee (the two committees of which I am a member cover a pretty wide field, I am the ranking Republican member of the Interior and Insular Affairs Committee and No. 4 on this side of table here), there was much talk about the sugar bill yesterday. I think the sugar bill has worked very well, The Congress of the United States can examine any product they care to giving it special consideration, could they not?

Secretary WEEKS. Yes, sir.

Senator MALONE. And in this division or allocation of the production of sugar to foreign nations for import, after we allocate the amount of cane sugar and the amount of beet sugar to the people of the United States and the amount of cane sugar to Hawaii and Puerto Rico, then to the Philippines, the foreign nations including Cuba and Peru, are allocated the remainder of our consumption.

We consume more sugar than we produce in the United States. The State Department was adamant that we retain for Cuba the 93.5 percent of the quota allotted to foreign countries, that Cuba produce the sugar and sell to us.

I have been in Peru as well as all of the nations of the Western Hemisphere. I know that 1 percent would mean a lot, say, to Peru, but the State Department remained adamant that the amount allocated to Cuba be not reduced. And I asked, "Why?"

They said, "Because Cuba buys our wheat."

I said, "Now that is very interesting. What price do they pay for the wheat, our American support price or the world price?" There was a little hesitation and they said, "The world price."

Then I said, "Now, that is very interesting. What do we pay them for their sugar, our American support price or the world price where they sell the remainder of their sugar and make considerable profit?"

There was more hesitation and then they said, "We pay the support price."

And then and there, Mr. Secretary, I computed the difference—it is in the record, every 100 pounds of wheat we sell to Cuba costs the taxpayers of America $1.35—and you call it foreign trade.

If all such items are subtracted, you get the figures in this table and you come right back to the 5 to 7½ percent profitable foreign trade, percent exported of our exportable goods that you had in 1934 when you passed the act. Did you know that?

Secretary WEEKS. I think there are two sides to that question.

Senator MALONE. I know there are two sides, and I have heard your side, where you call everything that you pay to export foreign trade. If you want to go into it again, go right ahead.

I have read your side in every paper east of the Alleghenies. Out west of the Mississippi sometimes they publish it with amazement. I say to you, Mr. Secretary, if you had had this law so-called reciprocal trade law 50 years ago, there would be nothing west of the Mississippi and not very much east of the Potomac and the Hudson Rivers. There is nothing that can survive there under this act. And if you can just name some industry that can survive without a subsidy, I will be very thankful to you, because many of my people would like to find a new business that can survive in competition against the low-wage foreign competitor.

Secretary WEEKS. Are you talking about raw materials or agricultural products?

Senator MALONE. I am talking about everything. You cannot even make monkey wrenches in this country in competition with American machinery in $2-a-day labor countries.

Secretary WEEKS. We are doing very well in our trade in manufactured products. I do not see how you can go behind those figures.

Senator MALONE. I do go behind them because your figures do not take into account the billions of dollars of subsidies with which you are buying your foreign trade.

Secretary WEEKS. We have figured every dollar.

Senator MALONE. Figure it again and put it in the record.

Secretary WEEKS. I will.

(The Secretary of Commerce subsequently forwarded to the committee for insertion in the record the following information on a point raised by Senator Malone:)

United States total exports, finished manufactures exports, and Government grant-aid to foreign countries, 1951–57

[In millions, unless otherwise indicated]

Item	1951	1952	1953	1954	1955	1956	1957
1. Exports of United States merchandise, total	$14,879	$15,049	$15,652	$14,981	$15,421	$18,940	$20,630
2. Foodstuffs, raw materials, and semimanufactures	6,420	5,710	4,771	5,290	6,158	7,886	8,844
3. Finished manufactures	8,459	9,339	10,881	9,691	9,263	11,054	11,786
4. Military aid shipments from United States	1,065	1,997	3,511	2,255	1,256	1,757	1,355
5. Nonmilitary exports of finished manufactures (line 3 minus line 4)	7,394	7,342	7,370	7,436	8,007	9,297	10,431
6. Net U. S. Government grants other than military aid	3,035	1,960	1,837	1,647	1,865	1,695	1,607
Exports of finished manufactures minus U. S. Government grants to foreign countries:							
7. In current dollars (line 5 minus line 6)	4,359	5,382	5,533	5,789	6,142	7,602	8,824
8. Unit value index (1956=100)	(94.5)	(95.0)	(95.7)	(94.5)	(96.1)	(100.0)	(106.2)
9. In constant 1956 dollars (line 7 divided by line 8)	4,613	5,665	5,782	6,126	6,391	7,602	8,309

EXPLANATORY NOTE

It is both statistically and theoretically impossible to allocate United States foreign-aid expenditures (many of them in lump-cash sums) unequivocally to specific classes of United States exports. The problem is analogous to that of a man who gets part of his income from a salary and part from dividends, and who is asked to specify how many of his lunches during a year he bought out of his salary and how many out of his dividend income. He can answer the question only on an arbitrary view as to which source of income he used for particular outlays. Similarly, the amounts of United States exports of manufactured goods which were financed from foreign aid funds can be specified only on an arbitrary view as to particular foreign uses of dollar receipts from various sources, including aid.

The residual export figures shown in lines 7 and 9, above, may be viewed as absolute minimum estimates of "unaided" exports of finished manufactures on the arbitrarily extreme assumption that all net grants to foreign countries were spent for such goods. This assumption, of course, seriously exaggerates the value of exports of finished manufactures financed through foreign aid, since sizable proportions of the grants were in fact used for other types of merchandise, such as agricultural products, or for services, such as ocean freight. Moreover, substantial amounts of aid have been authorized for expenditure by the recipients in other foreign countries, which may have used the funds for debt retirement or dollar asset accumulation, as well as for procurement of United States goods or services, but where these dollars were unidentifiably merged with those obtained from other sources.

Since the deduction based on all net grants is seriously overstated in application to exports of manufactured goods alone, net Government loans to foreign countries—which in any event have consisted during the past few years primarily of foreign currency claims accumulated specifically through disposal of surplus agricultural commodities—are omitted from these calculations.

Relationship between above tabulation and preceding table, inserted in the record by Senator Malone, entitled "United States Production of Movable Goods, Proportion Exported, and Foreign Aid, Selected Years, 1909-57": With regard to the United States export and foreign-aid statistics, these 2 tabulations are based upon essentially the same approach and in large measure upon the same basic data. The difference is simply that one deals with total United States exports, while the other focuses upon exports of finished manufactures alone.

More specifically, the data listed in lines 1, 4, and 6, above, are identical with those shown for corresponding years in cols. 2, 4, and 5, respectively, of the preceding table; and the residual figures in line 7, above constitute a component of the residual totals for corresponding years in col. 8 of the other table.

Senator MALONE. I do not want to spend too much time on this. I will ask you first if in your negotiations for a bilateral or a multilateral trade agreement, whether or not the Tariff Commission is asked to determine what the so-called peril point might be. Then if the President of the United States can trade a part or all of any industry if he believes that it will further his foreign policy regardless of any peril point recommendation by the Tariff Commission.

Secretary WEEKS. You mean regardless of the peril-point recommendation?

Senator MALONE. Yes.

Secretary WEEKS. He can, but he has not.

Senator MALONE. I beg leave to differ with you. Of course it is well known that he has not recognized the recommendations of the Commission whenever he wanted to trade a part of the industry for his foreign policy.

Secretary WEEKS. The peril point established by the Tariff Commission has never been penetrated since we have had the peril-point procedure, with one possible exception of a technical nature.

Senator MALONE. What is that?

Secretary WEEKS. It happened in the fall of 1953, Venezuela petroleum.

Senator MALONE. I have some news for you then. You have your lead and zinc case pending now.

The Tariff Commission has made a recommendation. You have not taken cognizance of it.

Secretary WEEKS. For the good and sufficient reason that the President wants to see if Congress takes any action on the proposals he has made for stabilization.

Senator MALONE. You are not here telling me that every time the Tariff Commission has figured these peril points, that the President has always conformed to them. Are you telling me this?

Secretary WEEKS. I say the peril point has not been penetrated by the present occupant of the White House, not once, and if it was penetrated in the case of Venezuelan petroleum it was by the previous occupant of the White House.

Senator MALONE. I am going to talk to you next about the peril point. That is the greatest hoax ever sold to an unsuspecting public. Let me ask you this question now so we will save time. If he wants to do it, he can make any trade agreement he cares to make, if he thinks it will further his foreign policy, can he not?

Secretary WEEKS. Within the limits set down by the statute.

Senator MALONE. That is right, and he does not need to consult Congress or the Tariff Commission or anybody else.

Secretary WEEKS. So long as he conforms to the rules and regulations and the statute.

Senator MALONE. That is right, and that means first within 50 percent and then another 50 percent, and now it is an additional 15 percent at 5 percent a year, and you are currently asking for a 25 percent further reduction, and that would be within the limits, would it not?

Secretary WEEKS. Yes, sir.

Senator MALONE. And he could do that regardless, could he not, without consulting anybody, except his own Cabinet?

Secretary WEEKS. He has to first go to the Tariff Commission for their peril point recommendation.

Senator MALONE. Is that in the law now?

Secretary WEEKS. Yes, sir; and in the proposed law.

Senator MALONE. That he cannot make a trade agreement until he has the advice from the Tariff Commission?

Secretary WEEKS. That is right.

Senator MALONE. But if he wanted to make the trade agreement regardless, he could make it, could he not?

Secretary WEEKS. No; I do not think he could.

(The Secretary of Commerce subsequently forwarded to the committee for insertion in the record the following information with respect to procedures preparatory to tariff negotiations:)

TRADE AGREEMENT PREPARATORY PROCEDURES

Section 4 of the Trade Agreements Act of 1934, as amended (19 U. S. C. 1354), which contains legislative provisions relating to procedures preparatory to trade agreement negotiations, reads as follows:

"Before any foreign trade agreement is concluded with any foreign government or instrumentality thereof under the provisions of this Act, reasonable public notice of the intention to negotiate an agreement with such government or instrumentality shall be given in order that any interested person may have an opportunity to present his views to the President, or to such agency as the President may designate, under such rules and regulations as the President may prescribe; and before concluding such agreement the President shall request the Tariff Commission to make the investigation and report provided for by section 3 of the Trade Agreements Extension Act of 1951,[1] and shall seek information and advice with respect to such agreement from the Departments of State, Agriculture, Commerce, and Defense, and from such other sources as he may deem appropriate."

In pursuance of these provisions and in order to coordinate the trade agreement activities of the several interested agencies, two committees were organized when the program was initiated. These were the Interdepartmental Committee on Trade Agreements and the Committee for Reciprocity Information. More recently, in November 1957, the Trade Policy Committee was established by Executive order[2] as a Cabinet-level committee to advise and assist the President in the administration of the trade agreements program. This Committee consists, in addition to the Secretary of Commerce as its chairman, of the Secretaries of State, Treasury, Defense, Interior, Agriculture, and Labor, or of alternates designated by them. Such alternates must be officials who are required to be appointed by the President with the advice and consent of the Senate.

Trade Policy Committee

Under the provisions of the Executive order creating it, the Trade Policy Committee has several functions in connection with the trade agreements program. The particular function of the Trade Policy Committee in the making of new trade agreements is to receive and review all recommendations made by the Trade Agreements Committee to the President and to transmit them to the President together with any comments and recommendations of its own resulting from that review. This Trade Policy Committee review takes place at each of the stages of Trade Agreements Committee action.

The Interdepartmental Committee on Trade Agreements

The Trade Agreements Committee consists of a Tariff Commissioner, and of representatives of the Departments of State, Treasury, Defense, Agriculture, Commerce, and Labor, and the International Cooperation Administration (nonvoting). The function of the Tariff Commission member is substantially that of a consultant.

The Trade Agreements Committee, under the chairmanship of the State Department representative is responsible for assembling and analyzing information

[1] I. e., peril point procedure.
[2] Executive Order 10741 and other documents relating to the Trade Policy Committee.

NOTE.—This material inserted on p. 228 of June 21 transcript.

pertinent to prospective trade agreement negotiations, the detailed content of the agreements, and making recommendations concerning the administration of the trade agreements program to the President through the Trade Policy Committee.

As special problems arise or as new trade agreement negotiations are contemplated, the Trade Agreements Committee sets up interdepartmental subcommittees, sometimes called "country committees," to consider the particular problems or possible negotiations and to submit data and recommendations to the Trade Agreements Committee.

Committee for Reciprocity Information

The Committee for Reciprocity Information has at the present time the same membership as the Interdepartmental Committee on Trade Agreements, but the Tariff Commission member serves as its Chairman. This Committee was established in pursuance of section 4 of the Trade Agreements Act (quoted above) to receive the views of the public in connection with prospective trade agreement negotiations, as well as with the administration of agreements already concluded.

The Committee for Reciprocity Information holds public hearings prior to each trade agreement negotiation, in order that interested parties may have an opportunity to be heard and to have their testimony or other statements of views available to the Trade Agreements Committee and to the President.

These three committees provide the machinery to carry out the objective of section 4 of a thorough examination and review of both the concessions we should seek from other countries and the concessions we should offer in order to obtain them, which takes into account the views of interested persons and groups, concerning the proposed negotiations, as well as those of all of the governmental agencies concerned, including the peril point findings of the Tariff Commission]

Senator MALONE. I think you had better look that up. Are you telling me that he could not do it regardless of the Tariff Commission recommendations?

Secretary WEEKS. The peril-point procedure is established in the legislation.

Senator MALONE. But it does not say that he has to conform to it. All he has to do when he does not conform to the peril point as set by the Tariff Commission is to explain to Congress why he did not conform.

Secretary WEEKS. Senator, he has to get the peril point finding.

Senator MALONE. He has—but he does not need to accept it.

Secretary WEEKS. But he does not have to conform to what the finding is.

Senator MALONE. That is what you should have answered in the first place.

Secretary WEEKS. Yes; that is correct, but as I said, he always has——

Senator MALONE. Let's go to the next question. He does not need to conform. That is the purpose of the question.

Secretary WEEKS. He has to get the information, but he does not need to conform.

Senator MALONE. He does not have to do anything but sell the industry down the river if he believes it will further his foreign policy.

Secretary WEEKS. That is right.

Senator MALONE. Now then, that only required an additional 10 minutes to get the answer. Then, in effect, what he can do if he thinks it will further his foreign policy, he can sacrifice all or any part of any industry under consideration, can he not?

Secretary WEEKS. He can go beyond the peril point if he sees fit.

(The Secretary of Commerce subsequently forwarded to the committee for insertion in the record the following information with regard to the peril-point procedure:)

The Tariff Commission, in its recent publication Investigations Under the "Peril Point" Provision, third edition, May 1958, gives the following brief description of the statutory requirements concerning peril-point determinations:

"Sections 3 and 4 of the Trade Agreements Extension Act of 1951 set forth the statutory requirements regarding 'peril point' determinations in connection with proposed trade-agreement negotiations. The peril-point provisions of the 1951 act * * * require the President, before entering into any trade-agreement negotiation, to transmit to the Tariff Commission a list of the commodities that may be considered for possible concessions. The Commission is then required to make an investigation (including a public hearing) and to report its findings to the President on (1) the maximum decrease in duty, if any, that can be made on each listed commodity without causing or threatening serious injury to the domestic industry producing like or directly competitive products, or (2) the minimum increase in the duty or additional import restrictions that may be necessary on any of the listed products in order to avoid causing or threatening serious injury to such domestic industry.

"The President may not conclude a trade agreement until the Commission has made its report to him, or until 120 days from the date he transmitted the list of products to the Commission. If the President concludes a trade agreement that provides for greater reductions in duty than the Commission specified in its report, or that fails to provide for the additional import restrictions specified, he must transmit to the Congress a copy of the trade agreement in question, identifying the articles concerned and stating his reason for not carrying out the Tariff Commission's recommendation. Promptly thereafter, the Tariff Commission must deposit with the Senate Committee on Finance and the House Committee on Ways and Means a copy of the portions of its report to the President dealing with the articles with respect to which the President did not follow the Tariff Commission's recommendations."

Senator MALONE. That is right, and now like the proposal coming out of the Department of the Interior, with 5 minerals—lead, zinc, tungsten, and others—they make a proposition of paying the difference between the world price and the production price up to a certain limit, and that limit in most cases is about 25 to 35 percent of the American market.

You are aware of that, are you not?

Secretary WEEKS. Yes, sir.

Senator MALONE. You are.

Secretary WEEKS. Yes.

Senator MALONE. All right; then that means in the proposal to subsidize it, the tariffs are already so low they are ineffective. Most of them are under trade agreements. Then they are sacrificing at least two-thirds of the market to foreign nations, aren't they, for example, in tungsten?

They trade two-thirds of that now while we produced more tungsten in the United States than the country could use under the Malone-Aspinall Act of 1953. It was extended in 1956 with a limited number of minerals and it is good until 1959 but the House did not follow the Senate in appropriating the money.

The Senate sent the appropriation to the House four times. But it showed by having a set price or tariff that made the difference in the wages and the cost of producing goods here and in the chief producing country that you could produce all the tungsten you need. But now they are limited in this offer so that it cuts that market in two. So what the Secretary of the Interior's proposition is, is to divide the market of tungsten. Just take that as an example. There are about 5,000 products. About 40 percent to the United States and 60 percent abroad; isn't that about what the effect is?

Secretary WEEKS. I do not know what the percentages are.

Senator MALONE. I can furnish that for the record but that is the principle of what they are doing, isn't it?

Secretary WEEKS. Yes, sir.

Senator MALONE. Then the President has sacrificed at least a half of the tungsten industry to foreign nations to further his foreign policy, has he not?

Secretary WEEKS. I do not know the details of the tungsten situation.

Senator MALONE. If what I say is true, that they only figure on subsidizing it up to a certain percentage of the market, the rest of it is sacrificed, is it not?

Secretary WEEKS. I do not know how it will work out in price range. It might or it might not be, I would think.

Senator MALONE. If what I tell you is true, it would be true, would it not, that they only subsidize it up to a certain percentage of the market?

Now if that is true, then the rest of it is sacrificed, is it not?

Secretary WEEKS. I have no competence in the tungsten field.

Senator MALONE. You do not know whether or not I am telling you the truth; is that it?

Secretary WEEKS. If your facts are accurate, we are going to continue to buy some tungsten abroad; yes.

Senator MALONE. But that would sacrifice the amount of the market in this country above the amount of the subsidy, wouldn't it, that is to say, a certain number of units that is subsidized.

Beyond that, it would be a foreign market, would it not?

Secretary WEEKS. Well, obviously if you buy something abroad, you have got it here, as you have expressed it you have sacrificed——

Senator MALONE. I know you understand what I am asking you and I want you to answer it and you are going to, though it may take a long time. That is, if I have explained this to you properly, instead of producing 100 percent or 75 percent, you are going to produce the percentage that is subsidized, aren't you, under any plan?

Secretary WEEKS. That would depend on what the world price is and what the domestic price is.

Senator MALONE. Why, of course, but if what I am telling you is true, the foreign price is so low that there is no chance of anybody here competing on a world price. So the subsidy comes in for 40 percent of it or 30 percent or 50 or whatever it proves to be, and beyond that you cannot produce it in this country, can you?

Secretary WEEKS. No.

Senator MALONE. All right; that is enough.

Let's get on with it.

Now, the President can, then, regardless of any finding of the Tariff Commission, regardless of any provisions whatever, sacrifice part or all of any industry if he thinks it will further his foreign policy and makes these trades.

Secretary WEEKS. He has stated publicly that he does not intend to sacrifice——

Senator MALONE. He has done it so what difference does it make as to what he has said. What he says doesn't make any difference, any more than it did under Truman. What he is doing is what counts. And I like this President; you know I do.

Secretary WEEKS. He has not penetrated the peril point once. You continue to say he can, but he has not done it and he has said publicly he would not do it.

Senator MALONE. He never said publicly that he would not go below the tariff point and if he has, I want you to put it in the record.

Secretary WEEKS. Not specifically.

Senator MALONE. Of course he didn't.

Secretary WEEKS. But he has said that he would not stand by and see any industry placed in jeopardy.

Senator MALONE. But my friend, he has.

We are going out of business, and he probably doesn't know it.

Secretary WEEKS. I do not think the record of our manufacturing exports and imports indicate we are going out of business.

Senator MALONE. I know, but the boys are out of business. Crockery is out of business, textiles are down, the mineral people are out of business, and I can name you so many, but I do not want to take your time because I know other Senators have questions.

What he is doing is what counts, and if that sound barrier is between the Cabinet and the White House, I think you ought to penetrate it, because he would never say a thing like that if he knows what is going on. I know the President, and I like him personally. I just do not vote for 2 or 3 things he is for; that is, billions to Europe to build these plants to compete with us, and free trade to divide the American markets with the foreign nations that we are subsidizing, and we have already priced ourselves out of every foreign market except when we subsidize the products, so I am not for that.

But that is his business. We elected him, and I am for him, and I would be for him tomorrow if he were running.

Secretary WEEKS. Senator, from your standpoint, you are much better off with this new bill than you are with the present legislation.

Senator MALONE. I just hope that we do not have any of it and then we would be in business again very quickly, 6 months and 2 months respectively, on the multilateral and bilateral agreements as I outlined to you.

Mr. Secretary, now I want to ask you a further question. We have settled now that the President can make any trade agreement that he wants to make.

Secretary WEEKS. Within the limits——

Senator MALONE. Of course, that is understood.

Secretary WEEKS. Of the statute.

Senator MALONE. But the limits are so wide that no one in this Nation can operate under that limit if he uses it. Now he can do it if he wants to under this legislation.

We have established that, and I hope we do not have to go into it again.

Now in the rules and regulations of GATT, we have a document here which I hope I can find quickly.

It is a General Agreement on Tariffs and Trade, present rules and proposed revisions. I do not understand how you do not call this an organization. You are right enough about it. Page 21—and this is not dated—on page 21, proposed article XII, section 1:

> Notwithstanding the provisions of paragraph 1 of article XI, any contracting party, in order to safeguard its external financial position and balance of payments, may restrict the quantity or value of merchandise permitted to be imported subject to provisions of the following paragraphs of this article.

Now I am going to ask you a question, and if you answer it the way I know, we will eventually get the answer. I won't take the time of the committee to read it, but I am going to ask permission that article XII, certain marked parts on page 21 to 22 be included in the record when we get around to it.

I am going to ask you if these provisions do not provide that any Nation may be excused and does not have to live up to their part of one of these trade agreements, the bargain they make, if they can show they are short of dollar balance payments.

Secretary WEEKS. Yes. My answer and understanding is that if they have not the dollars to buy, they do not buy.

Senator MALONE. That does not have anything to do with the answer at all.

I will ask it again.

Secretary WEEKS. As I called to your attention yesterday, the quota restrictions that were applied in the first instance have come down continually over the last several years.

Senator MALONE. You mean their quota restrictions on our products?

Secretary WEEKS. I read yesterday that the Belgium, Netherlands, and Germany, three of our principal trading partners, impose virtually no restrictions. Then I went on with Sweden, 70 percent, and so on.

Senator MALONE. Now let's get back to the question just to save the time of the committee because I am going to put this in the record and all of the other examination is going to make it very clear.

Are they bound to keep their agreements, the trade agreements that they sign with us if they can show that they are short dollar balance payments?

Secretary WEEKS. No, they are not, insofar as the rule against quantitative restrictions.

Senator MALONE. All right, that is good.

Let's just go right on now. That is enough.

Secretary WEEKS. It is part of the agreement.

Senator MALONE. And it is in the record. Why, of course. Later I will show they do not keep them. We are making a report on the Eastern Hemisphere now in the Interior and Insular Affairs Committee.

We will show that none of them keep their agreements.

Senator ANDERSON. Senator Malone, we did agree that at 10 o'clock we would terminate and take up with Secretary Dulles.

Senator MALONE. I have just a couple of questions and then I am finished. I'm sorry it took so long, but it is just one of those things.

Secretary WEEKS. May I say this, Senator. Where quota restrictions are imposed, they are not violating any agreement.

Senator MALONE. I understand that.

Secretary WEEKS. Because it is a part of the agreement that they can do it until they can get themselves on a basis where they can keep up to the level.

Senator MALONE. Why of course.

Until they are living just like we are, we fully divide the wealth and the taxes, the money of the taxpayers and the markets of the United States with all the 36 of them so they can live like we do or we live as they do.

Then they would be bound; wouldn't they? You say "yes" to that.

Now I ask permission, because of the lack of time, that I may complete the statement that I intended to make here at the end of Mr. Weeks' testimony.

Senator ANDERSON. Surely.

Senator MALONE. I thank you very kindly, Mr. Secretary. You have made a fine witness.

Senator ANDERSON. Mr. Secretary, the other members of the committee will decide if they want you back.

I do not imagine they do.

Secretary Dulles, we appreciate your coming back on Saturday morning to be with us for the balance of your testimony.

STATEMENT OF THE HONORABLE JOHN FOSTER DULLES, SECRETARY OF STATE—Resumed

Secretary DULLES. Thank you.

Senator ANDERSON. When we adjourned yesterday, Senator Malone was in the process of examination. At least, he was next on the list.

Senator Malone, do you have additional questions of the Secretary of State?

Senator MALONE. It was understood, Mr. Chairman, that when we quit for lunch yesterday we would be back at 2:30 and the Secretary had some unfinished business, and we had some, too, so we did not object to it very much that he come back this morning and that I would continue.

Senator ANDERSON. Go right ahead, Senator Malone.

Senator MALONE. Mr. Secretary, as near as I can see from the record, without reviewing it, we were talking at the close of yesterday's examination about who negotiated the multilateral trade agreements at Geneva. I think I had asked you, and we were discussing it, if it was not your Department or representatives of your Department, that sat in, representing the United States at Geneva, to negotiate these agreements.

Secretary DULLES. The agreements are negotiated by representatives of the State Department in accordance with instructions which are worked out by the Inter-Cabinet Committee and approved by the President.

Senator MALONE. Beforehand?

Secretary DULLES. The actual negotiating is done by the State Department representatives.

Senator MALONE. Then if he sees that he has to make any changes that seem to him reasonable in these trade agreements, then he must return and consult the policy committee?

Secretary DULLES. Yes.

He cannot make any decisions without authorization.

Senator MALONE. But you work out ahead of time a program including all the materials upon which the policy committee is willing to negotiate and the lengths to which you are willing to go.

Secretary DULLES. Yes, sir.

Senator MALONE. Then he makes the best trade he can make up to that point.

Secretary DULLES. Within the limits of his instructions, yes.

Senator MALONE. And do you sometimes change his instructions on the telephone?

Secretary DULLES. I do not think so. I think it is never done on a quick basis.

Senator MALONE. He comes back and meets with the committee if he has a proposition made to him that does not fall within the latitude given him in the beginning.

Secretary DULLES. The committee would be called together again and the President would have to change the instructions.

Senator MALONE. Or he could mail it here and you could meet and then give him instructions.

Secretary DULLES. That is right.

Senator MALONE. You do that sometimes, do you?

Secretary DULLES. Yes. He would probably cable more than mail.

Senator MALONE. Are these programs made public in any way before he goes to Geneva?

Secretary DULLES. They are worked out.

Senator ANDERSON. He would lose his trading position.

Secretary DULLES. There are public hearings, of course, that precede the taking of our position and the establishment of peril points and the like through the processes of the Tariff Commission, but we do not disclose to others how far we might be willing to go because, as the chairman says, if we did that, we would lose our trading position.

Senator MALONE. Are any committees of Congressmen or Senators advised of what you are about to do?

Secretary DULLES. Not in the normal case, no.

Senator MALONE. Are any of them advised. such as this committee which under the Constitution of the United States, is supposed to have something to do with tariffs? Is it advised?

Secretary DULLES. The theory of the act, Senator, as you of course well know, is that Congress by passing the act gives discretionary authority, negotiating authority to the President within limits which are defined by the act.

Senator MALONE. Yes.

Secretary DULLES. And further clarified by the Tariff Commission, and the President acts under that authority, and I think he normally does so without consultation, coming back again to Congress.

Senator MALONE. You do not feel it is incumbent upon you to tell the Congress anything until after the trade agreements have been signed.

Secretary DULLES. We think that the Congress tells us first what they want us to do, and within what limits they want us to do it, and then we go ahead and carry out that mandate.

Senator MALONE. Without any information to the Congress in the interim.

Secretary DULLES. Without referring back again to Congress; yes, sir.

Senator MALONE. And not even when it is completed. All you do then is publish it when it is completed.

Secretary DULLES. Yes.

Senator MALONE. Now, are any Congressmen or Senators allowed to sit in on any of your negotiations in Geneva?

Secretary DULLES. They have been present, I believe, at Geneva, on certain occasions. I do not think that they have ever been, as far as I can recall, actual members of the delegation.

Senator MALONE. Not members, but are they allowed to sit in in actual negotiations?

Secretary DULLES. I think the negotiations are conducted in private.

Senator MALONE. Yes; I think so, too.

In other words, the answer is "No."

Secretary DULLES. To the best of my knowledge, I think the answer is "No."

Senator MALONE. You would probably know more about it than anybody else, wouldn't you?

Secretary DULLES. No; because these things have been going on for 24 years, Senator, and my contact with it is only quite recent.

Senator MALONE. I am not talking about somebody that is not now in office. Maybe someone not now in office might know more about why this was put up to Congress in the first place.

Secretary DULLES. I thought your inquiry related to the whole span of this legislation.

Senator MALONE. Yes. I rather think the first proposers of this legislation did know what they were doing.

I have had my doubts since.

Now another question. Are any industrialists or people who will be affected by these agreements allowed to know what is going on in Geneva or sit in or advise with the committee in Geneva, while they are in progress?

Secretary DULLES. They are fully consulted in advance of our going to Geneva.

Senator MALONE. Who is fully consulted?

Secretary DULLES. The industries that might be affected by any tariff reduction.

Senator MALONE. Are they?

Secretary DULLES. Yes, sir.

Senator MALONE. Who represents these industries? Who do you think represents them and who do you discuss it with that affects, for example, titanium, or affects minerals of different kinds or textiles? Who do you discuss it with?

Secretary DULLES. The representatives of the industry, the industrial associations and the like.

Senator MALONE. You do?

Secretary DULLES. Yes, sir. One of the reasons, Senator, for this time schedule that we talked about in relation to the common market is the fact that before we take any position on possible reductions and create our negotiating position, we go through months and months and industry goes through months and months of preparatory work, at very great expense, time, and trouble, and it is a monumental process.

Senator MALONE. And the industries do consent to these trade agreements ahead of time?

Secretary DULLES. No, I do not say they consent to them. I say they are fully consulted.

Senator MALONE. They are fully consulted. Just how?

Do you ask them to appear before a committee here and tell this committee their position? Is that it?

Secretary DULLES. They appear before the Tariff Commission among other things.

Senator MALONE. What committee is it they appear before that represents your Department or represents the trade agreements organization that is going over there to do the job? Don't you have a committee before which an industry or representative can appear?

Secretary DULLES. There is a committee called the Committee for Reciprocity Information, in addition to the Tariff Commission.

Senator MALONE. Who serves on that committee?

Secretary DULLES. The agencies that are represented on the Trade Agreements Committee and the Trade Policy Committee.

Senator MALONE. In other words, the Policy Committee, headed by Secretary Weeks?

Secretary DULLES. That is right.

Senator MALONE. And then the Cabinet members. They are all Cabinet members that are members of this Committee, aren't they?

Secretary DULLES. They are Cabinet members or Deputy Cabinet members.

Senator MALONE. Do the Cabinet members sit and hear this testimony?

Secretary DULLES. No, not usually.

Senator MALONE. They appoint someone to represent them out of their department do they?

Secretary DULLES. Generally the Cabinet members do not themselves sit on the Committee for Reciprocity Information, although I would say that a special Cabinet Committee was set up, for instance, to deal with the petroleum problem. I, myself, personally sat on a number of occasions.

Senator MALONE. Petroleum is only 1 out of 5,000.

Secretary DULLES. But normally an under secretary such as Mr. Dillon, who is here, would sit to represent me on the Trade Policy Committee.

Senator MALONE. Now petroleum of course is only one product out of perhaps 5,000 that we produce. That is true.

Secretary DULLES. That is quite right, and if I spent my time dealing with those 5,000 products, I would not be able to deal with foreign affairs.

Senator MALONE. Yes, I understand that. Of course some of us think that it might be advisable at that. But a further question: Could you provide the record with the representatives of the Cabinet officers that have sat on this what-do-you-call-it committee?

Secretary DULLES. I do not know to which committee you are referring.

Senator MALONE. For Reciprocity Information.

Would you provide the committee, say, for the last couple of years with the names of the persons who have sat and actually heard the testimony?

Secretary DULLES. Yes, I think we can do that.

(Secretary Dulles subsequently supplied the following for the record:)

MEMBERS OF THE COMMITTEE FOR RECIPROCITY INFORMATION, 1956-58

Edgar B. Brossard, Chairman, United States Tariff Commission.
Charles W. Adair, Jr.,[1] Chief, Trade Agreements and Treaties Division, Department of State.
George H. Willis, Director, Office of International Finance, Department of the Treasury.
Prentice N. Dean, Associate Chief, Foreign Economic Policy Division, Office of Foreign Economic Affairs, Office of Assistant Secretary of Defense (International Security Affairs), Department of Defense.
Harry Shooshan, International Activities Assistant, Technical Review Staff, Office of the Secretary, Department of the Interior.
A. Richard DeFelice, Deputy Assistant Administrator, Agricultural Trade Policy and Analysis, Foreign Agricultural Service, Department of Agriculture.
Robert E. Simpson, Director, Office of Economic Affairs, Bureau of Foreign Commerce, Department of Commerce.
Leonard R. Linsenmayer,[2] Associate Director, Office of International Labor Affairs, Department of Labor.
Katharine Jacobson (Miss), trade policy adviser, Office of the Deputy Director for Technical Services, International Cooperation Administration.

Senator MALONE. That is where you think that the industries have been consulted.

In other words, they tell you what their situation is?

Secretary DULLES. More importantly, in the hearings before the Tariff Commission.

Senator MALONE. Whenever the Tariff Commission is asked to determine a peril point, is that it?

Secretary DULLES. That is correct, but we do not reduce tariffs without first getting a peril-point finding.

Senator MALONE. Now that peril point, as long as you brought it up, I had it on the list for a little later. What is the peril point? What does it represent?

Secretary DULLES. It is defined in the law. It is a point beyond which, just using popular language, there would be peril, the imports would imperil the American industry.

Senator MALONE. Then it is not a point at which a domestic industry could make a profit, a reasonable profit, but it would be at a point that could endanger the industry, perhaps cut below their cost of production, is that it?

Secretary DULLES. I do not think the cost of production element is brought in. It is a more broad aspect:

> Causing or threatening serious injury to the domestic industry producing like or directly competitive articles.

That is the main test.

Senator MALONE. Yes.

In other words, if it causes serious injury. It is not a question of making any money but the peril point would be at a point where there would be serious injury done the industry.

Secretary DULLES. That is what the act provides.

Senator MALONE. That is what I wanted to clear up in the record.

Secretary DULLES. Yes.

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[1] Preceded, in 1956-57, by Carl D. Corse, then Chief, Trade Agreements and Treaties Division, Department of State.
[2] Preceded, in 1956-57, by Philip Arnow, then Associate Director, Office of International Labor Affairs, Department of Labor.

Senator MALONE. Now, as a matter of fact, is the President bound by the peril point?

Secretary DULLES. No.

Senator MALONE. That is right. Now I will ask another question.

Secretary DULLES. Let me say, in fact he complies with it, but technically I think under the law he could disregard——

Senator MALONE. He could do anything he wants to do but the last time it was extended in 1955 the law provided he must consult the Tariff Commission, did it?

Secretary DULLES. That is correct.

Senator MALONE. Do you know how a peril point is often destroyed as far as an industry is concerned? Can it be done by a manipulation of a competitive nation's money value in terms of the dollar or can it be done by inflation?

Secretary DULLES. No, I do not think so.

Senator MALONE. Well, how?

Secretary DULLES. The peril point is determined by the actual consequences of the goods coming into this country.

Senator MALONE. That is right, of course.

Secretary DULLES. And inflation abroad does not have any bearing on that of itself.

Senator MALONE. The cost. Now then, if you have not thought of this, maybe I might put an idea in your head. I am not very hopeful, but I want to mention it to you; that the chief competing country can determine their cost of manufacture by manipulation, that is, the paper cost of their manufacture by manipulation of the value of their money in terms of the dollar, can it not?

Secretary DULLES. Yes.

Senator MALONE. Then wouldn't that have some bearing on what the peril point might be after that manipulation?

Secretary DULLES. If in fact the goods come in here under terms which carry serous injury, then the peril point is taken into account.

What the cause of it is, it could be any 1 of 20 things.

Senator MALONE. Not the peril point. Once the peril point is set, that is what you use in negotiating the treaty.

Secretary DULLES. That is right.

Senator MALONE. Now let's get——

Secretary DULLES. Because then you are talking now of escape clause.

Senator MALONE. No, I am not.

I am asking you about the peril point, and I want your answer, if that could not be obviated by simply a manipulation of the value of that chief competing nation's money in terms of the dollar, change their costs which would change the peril point, if you again ask the Tariff Commission to investigate.

Secretary DULLES. There are possibilities of evasion, and of course, that is the reason why we wanted to get the OTC to police these things, and we get much better results if we had an organization to police these things and stop the evasion you are talking about.

Senator MALONE. Let's leave the OTC out of it until you answer my question. Could you answer it "yes" or "no", that if by manipulation of the value of a competitive nation's money it can change the cost of its product?

Secretary DULLES. Yes, it can.

Senator MALONE. All right, that is good, and I am going to get along a lot faster there—Mr. Weeks took up quite a little time by conversation, and I do not like to do it. Now I know you are talking about the escape clause so I will ask you about that.

The escape clause can be invoked by the President if he wants to invoke it.

Secretary DULLES. Yes, sir.

Senator MALONE. And if he thinks his foreign policy demands that he keep the trade agreement the way it is, he can do that, can't he?

Secretary DULLES. Yes, sir.

Senator MALONE. Now then, what the President can do is to sacrifice a part of any industry that he may think is necessary to carry out and make effective his foreign policy, can he not?

Secretary DULLES. Yes, sir.

Senator MALONE. You are improving right along. I appreciate it. We are going to make progress.

Now I will ask you about the GATT. You have the rules and regulations of GATT. You corrected me yesterday and I stand corrected.

However, there are so many rules and regulations of GATT, General Agreement on Tariffs and Trade. This does not have a date, apparently, but I notice your assistant there has one of them, so we will identify it for the record by the title "General Agreement on Tariffs and Trade, Present Rules and Proposed Revisions."

This is article XII. I will not read this at all unless it is necessary. I will just ask you the flat question, and I know you will understand it, is it necessary for a foreign nation to keep its part of the trade agreement if they can show they are short of dollar balance payments?

Secretary DULLES. The answer is, of course, in the article, which says that they shall not maintain import restrictions or quotas—

except to forestall the imminent threat of, or to stop, a serious decline in its monetary reserves.

Senator MALONE. I can read it and I have read it a hundred times, and so have you, no doubt.

Secretary DULLES. Yes.

Senator MALONE. But are they bound to keep it as long as they can show they are short of dollar balance payments? Are they bound to keep the agreement they have signed, the trade agreement?

Secretary DULLES. They are bound to keep the agreement they have signed, yes, but the agreement itself has a provision allowing them to alter their position if necessary.

Senator MALONE. That is good enough, right there.

Secretary DULLES. To stop a serious decline in their monetary reserves.

Senator MALONE. It does not say serious in here. What it says is that if they can show—that is not the language either.

Secretary DULLES. Pardon me, sir, the word "serious" is there.

Senator MALONE. Where is it? It is in the first one here?

Secretary DULLES. "To forestall the imminent threat of, or to stop a serious decline in its monetary reserves."

Senator MALONE. Let's read some more of it. It is not in all these provisions:

> Notwithstanding the provisions of paragraph 1 of article XI, any contracting party—may restrict the quantity or value of merchandise permitted to be imported subject to the provisions of the following paragraphs of this Article. Paragraph 2. (a) No contracting party shall institute, maintain, or intensify import restrictions under this Article except to the extent necessary paragraph (i) to forestall the imminent threat of or to stop, a serious decline in its monetary reserves, or paragraph (ii) in the case of contracting party with very low monetary reserves, to achieve a reasonable rate of increase in its reserves.

There is no "serious" in that one, and these are separate.

Secretary DULLES. That is correct. Subsection (1) has the word "serious" in it.

Senator MALONE. That is right.

Secretary DULLES. In terms of decline.

Senator MALONE. But section 2 does not.

Secretary DULLES. If you are already down, then you can invoke this in order to get a reasonable rate of increase.

Senator MALONE. What you can do is to just do anything you want to do to prevent keeping this agreement as long as they can show they have——

Senator ANDERSON. May I just ask that the committee be in order so the reporter can hear this?

Senator MALONE. What this actually says here regardless of any detail is that they do not have to keep the agreement as long as their financial situation is not up to par, what they believe is necessary in meeting dollar balance payments in a general exchange of payments. They do not have to keep it; do they?

Secretary DULLES. It is hard to say that they do not have to keep their agreement when this is part of the agreement.

Senator MALONE. I stand corrected. You are a lawyer and I was an engineer for 30 years before I came to the Senate. My meaning is that they just do not have to keep the agreement if they can show that they are short of dollar balance or that they are not up to par in the trading and exchange payments.

Secretary DULLES. That is substantially correct.

Senator MALONE. That is enough.

Let's just go on to the next point and I will ask unanimous permission at this time, Mr. Chairman—no, I have already put it in the record, but I will refer to the record.

Senator MALONE. Now, Mr. Chairman, we have two things. First, the act passed by the Congress in 1934 and extended 10 times for from 1 to 3 years. It has never been extended for more than 3 and twice it was cut to 1 year. Second, the State Department in all of its testimony has referred to a committee called the Policy Committee. How long has this Policy Committee been in effect under other administrations?

Secretary DULLES. This particular Policy Committee with its present structure was set up, I think, about a year ago.

There has been a comparable committee for sometime. The procedure was reversed, I think, about a year ago.

Senator MALONE. What was it before?

Secretary DULLES. The only committee that existed before that was the Interdepartmental Trade Agreements Committee, and it does not have quite as high a level of representation as the President had come to believe to be desirable for policy review purposes.

Senator MALONE. In other words, we have been improving it since you have been in office, since Mr. Eisenhower has taken office as President of the United States.

But did they have some kind of a committee of this kind from the beginning in 1934?

Secretary DULLES. Yes, and I think it was set up from the initiation of the act.

Senator MALONE. And in this Committee, made up of lesser individuals—for reciprocity information, and the record will be corrected for the technical name—they hear industries' testimony prior to opening negotiations in Geneva.

Secretary DULLES. Yes.

Senator MALONE. And this testimony may or may not be abided by but you do hear it?

Secretary DULLES. Yes, sir.

Senator MALONE. I was consulting engineer for the Senate Military Affairs Committee in World War II. I was sent into Dutch Harbor and later out to the South Seas with MacArthur. One thing that sticks in my mind and may have made me decide to run for the United States Senate. I was asked by a member of that committee when he was busy on the Senate floor or in the committee, to go down to the floor of this Reciprocity Committee and hold them in session if I could until he got there. He was interested in tungsten. It was Big Ed Johnson of Colorado. And when he got there, and they were kind enough to hold it in session, I backed away and Big Ed took over. That image of Big Ed standing there before a committee not composed of assistants to Cabinet officers, but of people nine-tenths of whom you wouldn't hire in a Senator's office, and Big Ed stood there with his hat in his hand, begging to let his industry survive for a few more months. There are certain things in your life that are etched in your memory, and that is one of them. And that is what industry has to do now, and is not very often listened to. Now we have established that the President can trade a part of all of any industry for a foreign policy if he so desires.

We have established that these 36 foreign competitive nations sitting in Geneva, do not need to keep their agreements if they can show that their finances are in any way in danger.

Mr. Secretary, are you familiar with the proposal that has been made by certain Cabinet officers, notably the Secretary of the Interior, to subsidize certain minerals by paying the difference between the world price and the domestic cost up to a certain proportion of the American market?

Are you familiar with the proposal that has been made?

Secretary DULLES. I am not an expert on them, but I know in general that there are such proposals; yes.

Senator MALONE. I have a very high regard for Secretary Seaton, and I congratulated him when he came in with this subsidy proposal. I told him that I was for his program as an interim program until Congress could decide how it was going to handle its business, and the Constitution does say this is its business; does it not?

Secretary DULLES. Yes, sir.

Senator MALONE. Because he was the first man ever to appear before the Interior and Insular Affairs Committee that had broken through that sound barrier at the White House and gotten them to admit that either a fixed price of subsidy above the world price to make the difference in the cost of production here and in the competitive nations, or a tariff to make that difference, was necessary. What it does is to deliberately divide the market with foreign nations by only subsidizing up to a certain percentage of the American market.

You are familiar with the general plan; are you not?

Secretary DULLES. Yes.

Senator MALONE. Was it discussed in the Cabinet?

Secretary DULLES. Yes.

Senator MALONE. Then you know what I am talking about. Then you do believe that what we should do, the reason for the extension of this act is that the President then has the right to divide the American market with certain foreign nations in order to further the foreign policy which you mentioned awhile ago.

Secretary DULLES. He has the right to adopt policies which would permit the participation by foreign producers in our markets, yes.

Senator MALONE. To any percentage that he thought was necessary or advisable to round out his foreign policy.

Secretary DULLES. I am not quite clear about your question. Is it that the President arrives at some formula which says that the foreigners can have a certain percentage of the market?

Senator MALONE. No, that is not it. I will ask it again because I want to be very fair with you and I know you do with me.

You were a good witness when you were here before. You will remember you were here on the OTC and you were here on this Trade Agreements Act 3 years ago. I have no fault to find at all. We disagree but that is a right which we want to preserve in America.

All I want to do is have the record show what you want to do, to which I know you do not object.

That is right; is it not?

Secretary DULLES. That is correct.

Senator MALONE. Because I quote some of the testimony, and I have people say, "Well, he never said that."

I have my own people in Nevada. We have people west of the Mississippi River and we have other people on the Pacific coast whose interests seem to vary, which the framers of the Constitution knew about in advance, and which, of course, we hope always obtains.

When we finally vote in the Senate and the House of Representatives and the President signs whatever we pass, that is the law, is it not?

Secretary DULLES. Yes.

Senator MALONE. That is the policy of the United States.

Secretary DULLES. That is correct.

Senator MALONE. I know at one time when everybody was saying what the policy of the United States was going to be, I think the President was saying what it was going to be and several Congressmen and Senators were announcing what it was going to be, out in Nevada they asked me, and I said, "I will tell you what it is going to be. It is going to be made by what Congress passes after it has had full debate and the President signs. That is what it is going to be." And that is it, isn't it? That is the policy of the United States.

Secretary DULLES. Whenever there is a law which the Congress passes and the President signs——

Senator MALONE. That is it, isn't it?

Secretary DULLES. It becomes to that extent the policy of the United States.

Senator MALONE. Then the Constitution never said that the Congress should direct the President or the President should direct the Congress. It gave him a little authority so that he could veto it and cause us to vote again and maybe fail, but it never said he should come up here and force legislation through, did it? The Constitution does not say that.

Secretary DULLES. I do not think there is any such provision in the Constitution.

Senator MALONE. I do not think there is either, but there has been the greatest lobbying job and the greatest propaganda job on this bill in the history of the world so far as I know, and I think we have outdone Russia.

Secretary DULLES. Are you referring to the activities of industry?

Senator MALONE. I am referring to the activities of the administration and the newspapers on the Atlantic coast.

Secretary DULLES. I thought you were referring to the activities of industry.

Senator MALONE. Industry has to enter into it.

Secretary DULLES. That is correct.

Senator MALONE. And they do.

Secretary DULLES. And it is entirely legitimate.

Senator MALONE. That is right.

Secretary DULLES. I am not raising any question about it.

Senator MALONE. I am not, either.

Secretary DULLES. About people expressing their views on either side of this question.

Senator MALONE. Neither am I.

Secretary DULLES. I got the impression from you that you thought you could only express views on one side.

Senator MALONE. Oh no.

Secretary DULLES. And that views on the other side were reprehensible.

Senator MALONE. Mr. Secretary, you never did get that impression from me if you listened.

Secretary DULLES. I did, sir.

Senator MALONE. What did I say?

Secretary DULLES. You said that there was being done an extreme—I forget your precise words.

Senator MALONE. The greatest propaganda.

Secretary DULLES. Lobbying propaganda job done and certainly the way in which you spoke of it indicated to me at least that you regarded that as something that was improper.

Senator MALONE. I do not think it is improper for you to send your people down and for the White House to call every Congressman and Senator on a certain thing.

No, I do not think that is improper. I think maybe it is going a little far afield. But these people up here, the industries register as lobbyists when they come in.

Secretary DULLES. If they are paid lobbyists; yes.

Senator MALONE. That is right.

Secretary DULLES. But if people——

Senator MALONE. Already on the payroll, I think that is all right.

Secretary DULLES. You would not want to say and I would not want to say, Senator, that nobody is entitled to express their views unless they are paid to do it, would you?

Senator MALONE. Well, you are already paid to do it, and you are doing a very good job.

Secretary DULLES. I am not paid to do lobby work and I do not do it.

Senator MALONE. There are plenty of people in your Department that do. Do you know about it? If you do not, I'll get 2 or 3 cases, but I do not think it is improper, I think you can send anybody down here to the Halls of Congress and you are doing it.

Secretary DULLES. I am delighted that you feel that way.

Senator MALONE. Why of course, and you are doing it, aren't you? So the fact that you do not come down, you might attract too much attention.

Secretary DULLES. I am here, I am here.

Senator MALONE. No, no, I am talking about walking the Halls of Congress here. People do it. You would attract too much attention. That is all right, but I do say that it is the greatest propaganda job when you have got Eric Johnston here with his great propaganda machine. I did offer a resolution that he register as a lobbyist and tell us where he was getting the money.

Everybody else does it, and I think it would have been a good idea and we may yet get him before a committee if it keeps up.

But let's get back to this. What was the policy of the United States Government, the Congress of the United States, in foreign trade from the inception and adoption of the Constitution until 1934 in the fixing of tariffs that the Constitution called duties, and which in article I, section 8, fixes the constitutional responsibility of Congress to do the job? What was the policy of the country in regard to foreign trade until 1934?

Secretary DULLES. Prior to 1934?

Senator MALONE. Until 1934.

Secretary DULLES. Generally speaking, the tariffs were fixed by direct congressional action, not by limited delegation.

Senator MALONE. Well, on what policy? Was it fixed in order to bring in imports or fixed to equalize the difference in cost, generally speaking? What was the objective?

Secretary DULLES. I do not think you can give a single characterization to 150 years or more. It altered throughout that period.

Certainly during the early formative years when we were building up our industry, our tariff was very largely a protective tariff.

Senator MALONE. Well, were we still building up infant industries in 1930 when we passed the 1930 Tariff Act? I was not here when Congress passed a 1930 Tariff Act, but I have already put into the record the instructions that Congress gave its agent—the Tariff Commission is its agent, isn't it?

Secretary DULLES. It is its creature; yes. It has created it.

Senator MALONE. Creature has a kind of a peculiar twang to it. I think that is about what they are now, they are creatures. I agree with you. But I would like to see it restored to something above a creature. And if we do not extend this Trade Agreements Act, the regulation of the tariff, does revert to the creatures, doesn't it? The adjustment of the tariffs for imports reverts to the body referred to as a creature.

Secretary DULLES. The Tariff Commission continues whether or not you renew the act.

Senator MALONE. No, the Tariff Commission is just as helpless as a baby now. I think you will agree with that, under the 1934 Trade Agreements Act.

Secretary DULLES. No, sir, I do not agree with that.

Senator MALONE. How can they do anything or have anything adopted? What assurance have they that they are going to have anything adopted that they recommend?

Secretary DULLES. Well, they have a very heavy responsibility in fixing the peril point and indeed a decisive voice in that respect.

Never, as far as I know, has a finding of the Tariff Commission of a peril point been avoided.

Senator MALONE. But they have no authority to adjust that peril point when conditions change, do they?

Secretary DULLES. They then have authority if the escape clause is invoked to make their recommendations, which carry great weight.

Senator MALONE. And what happens to their recommendations?

Secretary DULLES. What happens to them?

Senator MALONE. Yes.

Secretary DULLES. Sometimes they are followed, sometimes they are not.

Senator MALONE. Mostly not, isn't it? You have a very smart fellow sitting there behind you

Secretary DULLES. I do not know exactly what the figures are. I am sure they are on the record here. I do not recall. I think probably in a majority of cases they have not been followed, but I——

Senator MALONE. I think you are right. That is good enough.

Secretary DULLES. I am not certain. I think it is fairly close.

Senator MALONE. No one really escapes except some semi-important industry, very important to the locality, but very small in the whole picture. That was outlined here yesterday, I think only a little over $100,000 worth of stuff was ever considered. You let the clothespins semiescape, as Mr. Flanders outlined. They did not escape but you opened a crack so they could see daylight. They are still going out of business.

But my question was does, the Tariff Commission now have no absolute authority or no reason to suppose that what they recommend is going to be taken, and they cannot take action on their own to recommend a tariff like they could under the 1930 Tariff Act or previously? That is true, isn't it?

Secretary DULLES. Yes.

Senator MALONE. That is better.

Now do you know what the Tariff Act of 1930 provides?

Secretary DULLES. 1930?

Senator MALONE. Yes.

Secretary DULLES. No.

Senator MALONE. I should think you your business you ought to know that, and I am going to recommend that you read the cross examination of Mr. Weeks.

I am not going into it all with you but I am going to tell you what it says, subject to the technical correction of the language, and that is that the Tariff Commission on their own motion, on invitation by Congress, the President, a producer or a consumer may consider any product at any time, and determine if the existing tariff makes up that difference in the cost of production here and in the chief competing country, not high or low cost in either case, but a reasonable cost, of producing an article here and that article or a like article in the chief competing foreign nation—that is what it says.

I want you to listen. Just tell me when you want to slack up a little bit. The Tariff Commission recommends that difference to be the tariff and that is the tariff. No one but Congress can veto it. That was the law and it was a flexible act so that the next day or the next month or 6 months or 6 years with the manipulation of money of a foreign nation or in any way manipulated to evade that duty, then they could take it up again.

Did you know that?

Secretary DULLES. I am not personally familiar with the act of 1930, but I do not in any way question your statement.

Senator MALONE. That is what it provides. Now then, under that act any American, he may be just getting out of school, maybe he had been in a business he didn't like or he saved a little money and had ambition, if he could find any place in America where he could compete with other Americans on any product, subject to the Tariff Commissions actions, that had been produced commercially, or whether it had or not, if he could borrow enough money or sell enough stock or get enough friends to put in money and either establish a manufacturing plant, a processing plant, a mine, or anything, if his judgment was good and he could compete with other Americans, then he was in business. Now under the 1934 act he has to know what the President is likely to do, what Geneva might do, and he cannot be safe unless he can compete with any nation in the world, regardless of their wages or conditions. He could not be safe in putting his money in that business, could he?

Secretary DULLES. Well, I think he can be safe, and the fact is that since the 1934 act has passed, millions and millions of Americans have put billions and billions of dollars into new industries that have been safe and our country and our economy is infinitely stronger than it was in 1930.

Senator MALONE. I will go with you up to that last statement. I think you are riding on a war economy and you are in the shakiest position this country has been in since the Constitution of the United States was written. But that is a matter of your opinion and my opinion. But the other part of it, most of the money now, $50 billion of private capital, has gone abroad to the cheap labor nations; you know that, don't you, to build American plants with the best machinery in the world. And we would want them of course to do that and I do not blame these people. I blame a Congress that makes this profitable to compete with the people who are now going out of business in America.

And you do know many of them are going out of business, don't you?

Secretary DULLES. Many are going out of business, many are coming into business.

Senator MALONE. That is right.

You are now subsidizing with the $70 billion that you have induced the people to pay in tax money to these nations to buy our goods. We are overproducing many goods in this country and they are buying the goods with that $70 billion and building plants over there to compete with us under this virtually free trade policy that we have.

Congress took it. I do not blame you. I do not blame the investors. I blame the Congress, because what they do not vote for you cannot do. That is right, isn't it?

Secretary DULLES. That is right.

Senator MALONE. You understand what Mr. Benson is up against, don't you? He is your confrere and I like him very much and I like his policy. He is trying to get down out of this tree, doing the best he can. But his problem is what? It is to sell the goods that he buys at a high price or a stabilized price or a price established by Congress to foreign nations at a world price, isn't that his problem?

Secretary DULLES. Yes.

Senator MALONE. Well, then, who puts up the money in between? And I am not complaining about this because at least this subsidy stays in America. The taxpayers put it up.

Secretary DULLES. That is appropriated to the Commodity Credit Corporation.

Senator MALONE. But the taxpayers put up the money.

Secretary DULLES. That is right.

Senator MALONE. It does not make any difference which one of you spends it, does it?

Secretary DULLES. Excuse, me, it does not what?

Senator MALONE. It does not make any difference what Cabinet officer spends it. It still comes from the taxpayers, doesn't it?

Secretary DULLES. The money goes back to the farmers and they spend it.

Senator MALONE. Yes: but what becomes of the money that all the taxpayers put up and that is lost when you sell it at the world price?

Secretary DULLES. The money the taxpayers put up, Senator, goes back to the farmers.

Senator MALONE. That is right; and I do not object to that. I voted for Mr. Benson I think because he has been doing the best he can. But that does stay in the United States.

Where does the $70 billion go? Where did it go?

Secretary DULLES. What $70 billion?

Senator MALONE. Since World War II that we appropriated directly. I think it is $3½ billion this year.

Secretary DULLES. That money has been used primarily to buy goods in the United States which are exported abroad.

Senator MALONE. Don't tell me where it has been spent because I know, and I am not going into that today because we haven't the time. But who paid it, and where did it go? It went to the foreign countries to do something with, didn't it?

Secretary DULLES. To buy goods in the United States.

Senator MALONE. Well, my friend, I can show that you are wrong in about 75 percent of the cases, but here is what I want to say to you. They also built plants with this money over there, didn't they?

Secretary DULLES. Yes, sir.

Senator MALONE. To build plants for manufacturing and mines to compete with us, didn't they?

I know what your propaganda is. That is all over the Nation, but they buy goods here.

Secretary DULLES. I do not know whether it is propaganda or not, Senator.

Senator MALONE. Well, I do.

Secretary DULLES. But the fact is this. That history has demonstrated consistently that when you raise the level of living of other countries, you create an increased market for American goods. You take Canada. Canada used to be a purely rural agricultural country. It has now been largely industrialized with help of American capital. You can say in a sense it competes, but also it creates the biggest market we have ever had in Canada.

There has been an enormous increase of American welfare through that development of Canada.

Senator MALONE. Do they have tariffs or are they proposing now or are they protecting their industries with a tariff in various ways?

Secretary DULLES. They have tariffs like we have.

Senator MALONE. No; they do not have tariffs like we have, and you know that, too.

Secretary DULLES. We both have tariffs. I do not know how they compare.

Senator MALONE. But we do not have tariffs that keep anything on an equal basis and they do. And they also, most of these nations you are talking about, have import permits, exchange permits, and manipulation of their money—and Canada's money is now worth more than ours, because of some of these foolish policies that we have. But the other nations manipulate their money in terms of the dollar for trade advantages. You do know that; do you not?

Secretary DULLES. I know that our exports have been steadily rising to new highs and that we now export nearly $20 billion a year, so that these things you talk about, while certainly they do have an inhibiting effect in some respects, overall by and large there has been a steady increase of American exports to the great advantage of the American economy and to industry and labor.

Senator MALONE. What you are allowed to do under this act, is to decide if you want to protect an industry you can, we have established that if you want to trade an industry, you can, so you can to a large extent remake the industrial map of the United States, can't you?

I am talking now about the administration under this act.

Secretary DULLES. I pointed out, Senator, in my opening statement that almost everything that Government does, whether it is our defense program or anything else, has a competitive impact on the American economy.

Senator MALONE. But isn't this the first time that we have ever given the Executive the right to trade an industry to further the foreign policy? Under this act, isn't it the first time it has ever been done?

Secretary DULLES. Yes.

Senator MALONE. Good. Now I am going to ask you—and I am not going into this any further—to refer to a table that I put into the record while cross-examining Secretary Weeks. It contains all the information I have been able to get from all of your departments, and you seem a little bit reluctant to give out much information. I hope you can improve that. I am sure you can. It shows that if you deduct the amount of money we give these nations and deduct the amount of the subsidies as you subsidize the wheat you sell Cuba—every hundred pounds of wheat you sent there cost the taxpayers $1.35 2 years ago. I do not know the cost now, but it has not been reduced much, because we pay support price for the sugar we import from them and they pay the world price for the wheat we export to them—if you deduct all of these subsidies and things that could come under the head of "subsidies" and deduct the money you give them, you are exporting today no greater a percentage of your exportable goods than you were in any year prior to 1929. Would you like to go into that with me as we go along after this is all settled, of course, and see if we couldn't arrive at a proper figure? I know what the propaganda is all about, and I also know that you are saying that there are 4½ million men employed who are all going to lose their jobs tomorrow if we do not pass this, which of course is poppycock, too, because there are 6 million partially unemployed people on the street by virtue of this act of yours, and there will be 10 million on the street by next spring.

I want you to remember I said that.

Secretary DULLES. I will remember you said it, Senator, but I respectfully reserve the right totally to disagree with that.

Senator MALONE. Of course you do.

Secretary DULLES. The people who you talk about on the streets because of imports.

Senator MALONE. I think they are.

Secretary DULLES. I think I can demonstrate to the contrary.

Senator MALONE. All right, go ahead.

Secretary DULLES. The Secretary of Labor has estimated that of this number of 6 million you talk about—I haven't got available, I'm sorry, here at the moment, the figure, but I have the very distinct impression that of the unemployment today, only a very small percentage, less than 10 percent, can possibly be attributed to imports.

Senator MALONE. Well, let me just give you an idea or two. You have here these estimates. They are all estimates. Unless I could get the information that I have asked your Department for and asked the Department of Commerce for and asked—what do you call this organization that gives the money away now down here that is under you? What is it called, the $3½ billion that they are going to give away next year?

Secretary DULLES. We have no organization to give away $3½ billion.

Senator MALONE. What are you going to do with that $3½ billion we just gave you?

Secretary DULLES. Well, a good deal of it we are going to use to give some of our allies military equipment with, some of it we are going to loan, and I do not consider that loans are giveaways.

You perhaps do.

Senator MALONE. Do you ever get any back?

Secretary DULLES. Yes, sir.

Senator MALONE. Do you get it back under this organization?

What is the name of it, if you don't mind putting it in the record?

Secretary DULLES. Are you talking about the ICA, the International Cooperation Administration?

Senator MALONE. Yes. It started out as the Marshall plan, didn't it?

Secretary DULLES. I think you can call it that, yes.

Senator MALONE. Well, that is pretty good because Mr. Marshall, not knowing, I believe, that there was any such paragraph in the Harvard speech, just read it without changing expression, but the Government in London took it on the first bounce and in 30 days—that was my second year in the Senate—told us just what it was going to cost us. And that is what it did cost us, too.

There was a little argument. It is like Mr. Macmillan coming over here at a very opportune time to increase the economic interdependence and it is fine propaganda. He is a very fine man. I met him in England in 1947. He is much smarter than most of us as Mr. Churchill was—they win. They had a colonial system for 300 years.

I am doing to say for the record, we are a greater economic colonial today than we were in 1776, when we declared our independence.

What we need more than anything on earth is another Declaration of Independence.

Anyhow it is the ECA. It has changed its name 3 or 4 times to kind of keep out of the line of fire of people.

Secretary DULLES. ICA?

Senator MALONE. ICA. International Cooperation Administration. I guess we do most of the cooperating; don't we?

Secretary DULLES. No.

Senator MALONE. Do you know of any other nation who is putting up money for us or any of these other nations besides Russia?

Secretary DULLES. I know of plenty of other nations that are putting up money for our common program of defense against the Soviet Union; most of this, as you know, Senator, goes to building up military establishments in the areas around the Sino-Soviet bloc. We have a common program and to that program they contribute very, very largely.

Senator MALONE. Well, how much did they contribute in Korea—all these allies that we have?

Secretary DULLES. Well——

Senator MALONE. All we learn from history is we do not learn anything from history. I understand that. But you might go into that if you want to.

Secretary DULLES. They contributed very substantially.

Senator MALONE. In what way?

Encouragement behind the lines?

Secretary DULLES. No; fighting and dying.

Senator MALONE. Who contributed in a large way?

Secretary DULLES. The British Commonwealth had very important forces over there.

Senator MALONE. How many soldiers did they have over there? How many? I wish you would just get the record with all the forces that were there and enter them into the record here, since we have gotten to this business of cooperation. You will find there were very few comparatively.

You will find most of the nations did not help at all and you will find that what we did was lose a war and murder those kids out there, that is what we did. You would not let them win, you would not let them lose, and if anybody else ever goes into one of those little wars and does it that way they should be impeached and I think they will be.

Will you furnish that record as to the money and the troops?

Secretary DULLES. Certainly.

Senator MALONE. And troops put up by each of your allies?

Secretary DULLES. Certainly.

(The information is as follows:)

APPENDIX 1.—CONTRIBUTIONS TO KOREAN ACTIVITIES

Summaries of military and relief assistance for Korea as of January 15, 1952

Country	Date	Details of offer	Status
GROUND FORCES			
Australia	Aug. 3, 1950	Ground forces from Australian infantry force in Japan.	In action.
		Additional battalion of Australian troops.	Do.
Belgium	Sept. 13, 1950	Infantry battalion	Do.
	May 3, 1951	Reinforcements	Do.
Bolivia	July 15, 1950	30 officers	Acceptance deferred.
Canada	Aug. 14, 1950	Brigade group, including 3 infantry battalions, 1 field regiment of artillery, 1 squadron of self-propelled antitank guns, together with engineer, signal, medical, ordnance, and other services with appropriate reinforcements.	In action.
China	July 3, 1950	3 infantry divisions	Acceptance deferred.
Colombia	Nov. 14, 1950	1 infantry battalion	In action.
Costa Rica	July 27, 1950	Volunteers	Acceptance deferred.
Cuba	Nov. 30, 1950	1 infantry company	Accepted.
El Salvador	Aug. 15, 1950	Volunteers	Acceptance deferred.
Ethiopia	Nov. 2, 1950	1,069 officers and men	In action.
France	Aug. 20, 1950	Infantry battalion	Do.
Greece	Sept. 1, 1950	Unit of land forces	Do.
	July 2, 1951	Additional unit of land forces	Transmitted to Unified Command.
Luxembourg	Mar. 15, 1951	Infantry company integrated into the Belgian forces.	In action.
Netherlands	Sept. 8, 1950	1 infantry battalion	Do.
New Zealand	July 26, 1950	1 combat unit	Do.
Panama	Aug. 3, 1950	Contingent of volunteers and bases for training.	Acceptance deferred.
Philippines	Aug. 10, 1950	Regimental combat team consisting of approximately 5,000 officers and men.	In action.
Thailand	July 23, 1950	Infantry combat team of about 4,000 officers and men.	Do.
Turkey	July 25, 1950	Infantry combat force of 4,500 men, later increased to 6,086 men.	Do.
United Kingdom	Aug. 21, 1950	Ground forces	Do.
	Official information communicated on June 12, 1951.	2 brigades composed of brigade headquarters, 5 infantry battalions, 1 field regiment, 1 armoured regiment.	Do.
United States	Official information communicated on June 8, 1951.	3 Army corps and 1 Marine division with supporting elements.	Do.
NAVAL FORCES			
Australia	July 28, 1950	2 destroyers	Do.
	July 29, 1950	1 aircraft carrier and 1 frigate	Do.
Canada	July 12, 1950	3 destroyers	Do.
Colombia	Oct. 18, 1950	1 frigate, *Almirante Padilla* (replaced by *Capitan Tono*).	Do.
France	July 19, 1950	Patrol gunboat	Withdrawn.
Netherlands	July 5, 1950	1 destroyer, *Evertsen*	In action.
New Zealand	July 1, 1950	2 frigates, H. M. N. Z. *Tutira* and H. M. N. Z. *Pukaki*.	Do.
Thailand	Oct. 3, 1950	2 corvettes, *Prasae* and *Bangpakong*[1]	Do.
United Kingdom	June 28, 1950	Naval forces in Japanese waters diverted to Korea.	Do.
	Official information communicated on June 12, 1951.	1 aircraft carrier, 2 cruisers, 8 destroyers, 1 survey ship.	Do.

[1] Destroyed on grounding.

APPENDIX I. CONTRIBUTIONS TO KOREAN ACTIVITIES—Continued

Summaries of military and relief assistance for Korea as of January 15, 1952—Con.

Country	Date	Details of offer	Status
NAVAL FORCES—con.			
United States	Official information communicated on June 8, 1951.	A fast carrier task group with a blockade and escort force, an amphibious force, reconnaissance and antisubmarine warfare units.	In action.
AIR FORCES			
Australia	June 30, 1950	1 R. A. A. F. fighter squadron, 1 air communication unit, base and maintenance personnel.	Do.
Canada	July 21, 1950	1 R. C. A. F. squadron	Do.
Union of South Africa	Aug. 4, 1950	1 fighter squadron, including ground personnel.	Do.
United Kingdom	Official information communicated on June 19, 1951.	Elements of the air force	Do.
United States	Official information communicated on June 8, 1951.	1 tactical air force, 1 bombardment command, 1 combat cargo command, all with supporting elements.	Do.
MATERIAL			
Philippines	Aug. 3, 1950	17 Sherman tanks and 1 tank destroyer.	Do.
TRANSPORT			
Belgium	Sept. 28, 1950	Air transport	Do.
Canada	Aug. 11, 1950	Facilities of Canadian Pacific airlines between Vancouver and Tokyo.	Do.
		Dry cargo vessels (10,000 tons)	Do.
China	July 3, 1950	20 C-47's	Acceptance deferred.
Denmark	July 22, 1950	Motor ship *Bella Dan*	Do.
Greece	July 20, 1950 and Oct. 13, 1950.	8 Dakota transport planes	In action.
Norway	July 18, 1950	Merchant ship tonnage	Do.
Panama	Aug. 3, 1950	Use of merchant marine for transportation of troops and supplies.	Do.
Thailand	Oct. 3, 1950	Transport *Sichang* to be attached to Thai troops.	Do.
		Air transport	Do.
United Kingdom	Official information communicated on June 19, 1951.	7 supply vessels	Do.
United States		(The Unified Command has arranged for transport of United States troops and material, as well as for the transport of some of the forces and material listed in the present summary.)	
MEDICAL			
Denmark	Aug. 18, 1950	Hospital ship *Jutlandia*	Do.
India	July 29, 1950	Field ambulance unit	Do.
Italy	Sept. 27, 1950	Field hospital unit	Do.
Norway	Mar. 6, 1951	Surgical hospital unit	Do.
Sweden	July 20, 1950	Field hospital unit	Do.
United Kingdom	Official information communicated on June 12, 1951.	Hospital ship	Do.
United States		(No details available. The Unified Command has, however, provided full medical facilities not only for United States troops but also for the troops of participating governments.)	
MISCELLANEOUS			
Costa Rica	July 27, 1950	Sea and air bases	Accepted.
Panama	Aug. 3, 1950	Bases for training	Acceptance deferred.
		Free use of highways	Accepted.
		Farm lands to supply troops	Pending.
Thailand	Feb. 2, 1951	Treatment for frostbite	Do.

Summary of assistance for Korean emergency relief program as of January 16, 1952

(Except where noted, this list does not contain offers to UNKRA through the Negotiating Committee on Contributions to Programs of Relief and Rehabilitation)

Country	Date of offer	Details of offer	Value [1]	Status
Argentina	Aug. 8, 1951	Corned meats, 14,000 cases [1]	$500,000	Under shipment.
Australia	Nov. 28, 1950	Penicillin, crystalline	65,355	Do.
	Dec. 14, 1950	Distilled water	20,807	Do.
		Laundry soap, 116,000 lbs	7,792	Do.
	Jan. 8, 1951	Procaine penicillin	106,345	Arrived in Korean theater.
	Jan. 31, 1951	Barley, 2,000 long tons	160,200	Do.
	June 25, 1951	Services of 3 medical and welfare personnel (offered by Save the Children Fund).		Accepted by Unified Command.
Austria	Nov. 8, 1951	Lumber [1]	40,000	Acceptance pending.
Belgium	Nov. 7, 1950	Sugar, 300 tons	60,000	Under shipment.
Brazil	Sept. 23, 1950	Cruzeiros 50,000,000	2,700,000	Pending legislation.
Burma	Feb. 1, 1951	Rice, 400 tons [1]	49,934	Arrived in Korean theater.
Cambodia	May 11, 1951	Salted fish, 1,400 kilos	400	Do.
	June 14, 1951	Rice, 5.2 tons	600	Do.
Canada	Apr. 19, 1951	Used clothing and shoes, 12 tons (donated by United Church of Canada).		Under shipment.
	Nov. 14, 1951	Used clothing, 231 bales (donated by United Church of Canada).		Do.
Chile	Nov. 14, 1951	Nitrates, 5,000 tons [1]	250,000	Accepted by Unified Command.
China	Oct. 4, 1950	Coal, 9,000 tons; rice, 1,000 tons; salt, 3,000 tons; DDT, 20 tons.	618,620	Shipped direct to Korea by Government of China.
	July 17, 1951	Medical supplies		Accepted by Unified Command.
Colombia	Mar. 3, 1951	Clothing (donated by commercial firms).		Do.
	Mar. 19, 1951	Clothing (donated by commercial firms).	500	Do.
Costa Rica	Mar. 3, 1951	Clothing, 800 kilos (collected by Red Cross).		Under shipment.
Cuba	Oct. 2, 1950	Sugar, 2,000 tons	268,962	Arrived in Korean theater.
		Alcohol, 10,000 gallons		Under shipment.
		Blood plasma		Pending.
Denmark	July 5, 1950	Medical supplies	142,964	Arrived in Korean theater.
	Sept. 26, 1950	Sugar, 600 tons	96,047	Do.
Ecuador	Oct. 13, 1950	Rice, 600 tons		Do.
Ethiopia	Aug. 5, 1950	£14,286 sterling	40,000	Deposited and expended on medical supplies now en route to Korea.
France	Oct. 9, 1950	Medical supplies	75,400	Arrived in Korean theater.
	Dec. 29, 1950	do		
Greece	Oct. 20, 1950	Soap, 113 tons	30,855	Do.
	Nov 30, 1950	Notebooks and pencils, 25,000 each.	1,220	Do.
	Dec. 27, 1950	Medical supplies	53,760	Do.
Iceland	Sept. 14, 1950	Cod liver oil, 125 tons	45,400	Do.
India	Oct. 4, 1950	Jute bags, 400,000	168,095	Do.
	Oct. 11, 1950	Medical supplies	3,281	Do.
	Aug. 9, 1951	Medical supplies; 8 items (donated by Indian Red Cross).	2,110	Under shipment.
Israel	Aug. 22, 1950	Medical supplies	63,000	Arrived in Korean theater.
	Feb. 19, 1951	Citrus products [1]	33,600	Under shipment.
Japan	Apr. 27, 1951	Preserved foods, 300 cases (donated by Japan Canned and Bottled Foods Association).		Arrived in Korean theater.
Lebanon	July 26, 1950	$50,000	50,000	Deposited.
Liberia	July 17, 1950	Natural rubber, 22,400 lbs	10,000	Arrived in Korean theater.
	Feb. 23, 1951	Natural rubber, 15,000 lbs.[1]	15,000	Do.
Mexico	Sept. 30, 1950	Pulses and rice, 2,657 metric tons; medical supplies.[2]	348,000	Do.
New Zealand	Oct. 6, 1950	Dried peas, 492 metric tons	56,536	Do.
	Nov. 20, 1950	Milk powder, 150 tons	66,640	Do.
		Soap, 200 tons	50,000	Do.
	Nov. 21, 1950	Used clothing, 5 tons (donated by Council of Organizations for Relief Services Overseas).		Do.

See footnotes at end of table, p. 193.

Summary of assistance for Korean emergency relief program as of January 15, 1952—Continued

Country	Date of offer	Details of offer	Value [1]	Status
New Zealand	Mar. 14, 1951	Vitamin capsules, 9,880,000		Under shipment.
	Mar. 16, 1951	Used clothing, 5 tons (donated by CORSO).		Do.
	Oct. 15, 1951	Clothing, 13 cubic tons (donated by CORSO).		Accepted by Unified Command.
	Oct. 24, 1951	Clothing, 13½ tons (donated by CORSO).		Acceptance pending.
Nicaragua	Nov. 16, 1950	Rice, 50 tons		Declined unless can be made available at United States port.
	Dec. 16, 1950	Rice, 100 tons, and alcohol, 5,000 qts.		
Norway	Dec. 29, 1950	Clothing, 126 tons (collected by Europahjelpen).		Arrived in Korean theater.
	Feb. 13, 1951	Medical supplies		Under shipment.
Pakistan	Aug. 29, 1950	Wheat, 5,000 tons	$379,850	Arrived in Korean theater.
Paraguay	Nov. 3, 1950	$10,000	10,000	Deposited.
Peru	Nov. 21, 1950	1,000,000 Peruvian soles	65,000	Pending legislation.
Philippines	July 7, 1950	Soap, 80,000 cakes	5,800	Under shipment.
	Sept. 7, 1950	Vaccines	50,050	Arrived in Korean theater.
	Sept. 8, 1950	Rice, 10,000 metric tons	2,200,000	8,850 tons shipped, balance awaiting shipment.
	Sept. 8, 1950	Fresh blood, 518 units	19,475	Arrived in Korean theater.
	Nov. 29, 1950	Fresh blood, 500 units		Declined.
Thailand	Sept. 20, 1950	Rice, 40,000 metric tons	4,368,000	Arrived in Korean theater.
Turkey	Aug. 19, 1950	Vaccines and serums		Declined owing to difficulties of transportation.
	Jan. 10, 1951	Knitting wool and needles (donated by Red Crescent).	898	Arrived in Korean theater.
United Kingdom	Oct. 19, 1950	Salt, 6,000 tons	139,149	Do.
	Oct. 20, 1950	Sulfa drugs	45,791	Do.
	Dec. 22, 1950	Food yeast, 50 tons	35,166	Do.
	Mar. 29, 1951	Clothing and cloth, 1,300 lbs. (donated by Y. W. C. A. Hong Kong).		Do.
	June 19, 1951	Supplies to value of £400,000, including:	1,120,000	Supplies to be made available at request of Unified Command.
		Charcoal, 2,000 piculs per month.		Under shipment.
United States	Official valuation received on Dec. 6, 1951.	Foodstuffs (wheat, barley, 477,024 m. t. rice, etc.).	61,182,625	([2]).
		Medical and sanitary supplies	11,488,452	
		Soap, 6,880 m. t	2,094,156	
		Coal, 338,890 m. t	6,168,335	
		Petroleum products, 164,098 m. t.	4,401,656	
		Transportation equipment, 10,469 m. t	6,049,036	
		Communication equipment, 13,757 m. t	3,729,334	
		Clothing, shoes, textiles, 25,484 m. t	36,941,778	
		Agricultural supplies and equipment 190,734 m. t.	15,175,370	
		Industrial repair equipment and supplies, and other equipment 860 m. t.	493,294	
		Miscellaneous manufactured end products (tents, etc.)	1,328,677	
		Miscellaneous raw materials and products 73,316 m. t.	17,424,296	
		Storage and laboratory costs	305,500	
		Transportation costs of certain contributions from other sources	1,363,122	
(Donated by American Friends Service Committee.)	Nov. 16, 1950	Used clothing 103,000 lb. / Soap 5,000 lb.	104,000	Under shipment.
	Jan. 23, 1951	Used clothing 10 tons	20,000	Do.
	Feb. 14, 1951	do 11,000 lb.	10,000	Do.
	Mar. 12, 1951	do 7,500 lb.	7,500	Arrived in Korean theater.
	May 28, 1951	do 24,233 lb.	24,233	Arrived in Korean theater.
	July 12, 1951	do 67,500 lb.	67,500	Under shipment.
	Aug. 28, 1951	do 32,500 lb.	32,500	Do.
	Sept. 11, 1951	do 60,860 lb.	60,860	Do.
		Soap 3,700 lb.	370	Do.

[1] [illegible] d of table, p. 193.

Summary of assistance for Korean emergency relief program as of January 15, 1952—Continued

Country	Date of offer	Details of offer	Value [1]	Status
United States—Continued.				
(Donated by American Relief for Korea.)	June 13, 1951	Clothing and shoes..500,000 lb	$480,000	Under shipment.
	Oct. 24, 1951	do 1,000,000 lb	1,000,000	Do.
(Donated by anonymous United States sources.)	Aug. 10, 1951	Used clothing 69,426 lb	69,426	Arrived in Korean theater.
		Canned milk and food...500 lb	250	Do.
	Dec. 3, 1951	Clothing 32,256 lb	32,256	Under shipment.
(Donated by by CARE, Inc.)	Sept. 21, 1950	Food and clothing packages	100,000	Arrived in Korean theater.
	Nov. 20, 1950	Blankets and textile packages	202,264	Do.
	Apr. 10, 1951	Food packages	100,000	Available in Japan.
	June 19, 1951	do	100,000	Under shipment.
		Blanket packages	28,000	Do.
	July 26, 1951	Food packages	110,000	Do.
	Aug. 13, 1951	Material, soap, food	1,565	Do.
	Aug. 22, 1951	Food packages	100,000	Do.
	Oct. 19, 1951	Knitting wool packages, 2,500	25,000	Do.
	Dec. 3, 1951	Clothing and blanket packages	85,000	Do.
		Food packages	100,000	Do.
	Jan. 9, 1952	Soap packages	28,800	Acceptance pending.
(Donated by Church World Service.)	Sept. 25, 1950	Used clothing and miscellaneous supplies.	104,966	Arrived in Korean theater.
	Nov. 6, 1950	Vitamin tablets, 1,000,000	5,800	Do.
		Used clothing 100,000 lb	100,000	Do.
	Jan. 30, 1951	do 60,000 lb	60,000	Do.
	Feb. 19, 1951	do 12,000 lb	12,000	Do.
	Feb. 21, 1951	do 40,000 lb	40,000	Do.
	Apr. 2, 1951	do 10,000 lb	10,000	Do.
	May 18, 1951	do 50,000 lb	50,000	Do.
(Donated by Committee for Free Asia.)	Aug. 8, 1951	Newsprint, 1,000 tons	150,000	Do.
(Donated by General Conference of Seventh-day Adventists.)	Apr. 11, 1951	Used clothing 10,000 lb	10,000	Arrived in Korean theater.
(Donated by Lutheran World Relief.)	Feb. 23, 1951	do 44,560 lb	44,560	Do.
	Mar. 26, 1951	Soap 12,851 lb	12,851	Do.
	Apr. 26, 1951	do	25,257	Do.
	July 13, 1951	do	29,000	Under shipment.
(Donated by Manget Foundation.)	Sept. 26, 1951	do	9,000	Arrived in Korean theater.
(Donated by Mennonite Central Committee.)	Oct. 1951	Services of 1 supply officer		Services made available for one year from Oct. 1951.
(Donated by Oriental Missionary Society.)	Feb. 19, 1951	Used clothing 102,883 lb	102,883	Under shipment.
(Donated by Presbyterian Church in the United States.)	Sept. 10, 1951	Medical supplies	900	Do.
(Donated by Save the Children Federation.)	Dec. 12, 1950	Used and new clothing.4,913 lb	5,033	Arrived in Korean theater.
	Feb. 16, 1951	Used clothing 10,611 lb	10,087	Do.
	Apr. 23, 1951	do 13,512 lb	12,610	
	July 9, 1951	do 15,700 lb	15,396	Do.
	July 20, 1951	School equipment	1,200	
	Oct. 10, 1951	Used clothing 15,136 lb	15,115	Under shipment.
	Oct. 10, 1951	School equipment and gift packages.	7,800	Do.
	Oct. 22, 1951	Used clothing 4,826 lb	4,826	Do.
	Dec. 10, 1951	do 9,867 lb	9,867	Do.

See footnotes at end of table, p. 193.

Summary of assistance for Korean emergency relief program as of January 15, 1952—Continued

Country	Date of offer	Details of offer	Value [1]	Status
United States—Con.				
(Donated by War Relief Services, National Catholic Welfare Conference.)	Oct. 17, 1950	Used clothing, soap, medicinals	$200,749	Arrived in Korean theater.
	Oct. 27, 1950	Services of medical team	....	Declined.
	Nov. 17, 1950	Clothing, shoes, soap	99,738	Arrived in Korean theater.
	Nov. 29, 1950	Used clothing ...... 1,000,000 lb.	1,000,000	Do.
	Dec. 7, 1950	do ...... 1,000,000 lb.	1,000,000	Do.
		do ...... 70,000 lb.	70,000	Do.
	Feb. 15, 1951	Medicinals	2,000	Do.
		Used clothing ...... 20,000 lb.	20,000	
	Mar. 28, 1951	Dried milk ...... 1,000,000 lb.	125,000	Do.
		Dried eggs ...... 100,000 lb.	40,000	Do.
	Aug. 30, 1951	Used clothing ...... 10,000 lb.	10,000	Under shipment.
	Oct. 22, 1951	do ...... 950,000 lb.	950,000	Do.
	Dec. 6, 1951	do ...... 400,000 lb.	400,000	Do.
	Dec. 27, 1951	do ...... 115,000 lb.	115,000	Acceptance pending.
Uruguay	Sept. 14, 1950	$2,000,000	2,000,000	Pending legislation.
	Oct. 26, 1950	Blankets, 70,000	250,779	Arrived in Korean theater.
Venezuela	Sept. 14, 1950	Medical supplies, foodstuffs	81,652	Do.
SPECIALIZED AGENCIES				
ILO	Nov. 29, 1950	Services of 2 labor advisers	....	Services made available by ILO until Jan. 1, 1952.
IRO	Aug. 3, 1950	Clothing and miscellaneous supplies.	179,000	Under shipment.
	Aug. 3, 1950	Medical supplies	12,177	Arrived in Korean theater.
	Aug. 19, 1950	Services of 5 medical team personnel.	....	Services made available by IRO until Jan. 1, 1952.
	Nov. 27, 1950	Services of 4 medical team pernel.	....	
	Feb. 14, 1951	Services of 5 supply officers	....	
UNESCO	Jan. 31, 1951	$100,000 for purchase of educational supplies.	100,000	Made available to Unified Command.
UNICEF	Sept. 27, 1950	Blankets, 312,000	533,006	Arrived in Korean theater.
		Powdered milk, 330,000 lbs	10,054	Do.
	Sept. 28, 1950	Medical supplies	1,964	Do.
		Soap, 100,000 lbs	7,167	Do.
	Jan. 26, 1951	Clothing	200,000	Do.
	Feb. 1, 1951	do	199,686	Do.
		Freight charges on cod liver oil from Iceland.	3,729	
	July 24, 1951	Cotton cloth, 2,400,000 yds	540,000	Available in Japan.
WHO	Aug. 8, 1950	Services of 10 medical team personnel.	....	Services made available by WHO until Jan. 1, 1952.
	Sept. 4, 1950	Services of 3 public-health advisers.	....	
	Nov. 22, 1950	Services of 10 medical team personnel.	....	
MISCELLANEOUS CONTRIBUTORS				
Korean Consulate General, San Francisco.	Mar. 19, 1951	Clothing, 756 lbs	750	Arrived in Korean theater.
League of Red Cross Societies.	Nov. 11, 1950	Services of 9 medical teams, each of 3 persons.	....	5 teams made available by Red Cross until Jan. 1, 1952.
		Tents, blankets, medical supplies, clothing.	....	Supplied direct to Korean Red Cross.
	June 8, 1951	Educational gift boxes, 50,000 (donated by American Junior Red Cross).	100,000	Under shipment.
	June 13, 1951	Mepacrine tablets, 2,000,000 (donated by Indian Red Cross).	6,119	Do.
	June 13, 1951	Dried fruit, 3,000 kg. (donated by Greek Red Cross).	686	Arrived in Korean theater.
	June 15, 1951	Clothing, food, medicine, etc. (donated by Japanese Red Cross).	36,000	Under shipment.
	July 27, 1951	School chests, 75 (donated by American Junior Red Cross).	7,500	Do.

See footnotes at end of table, p. 103.

Summary of assistance for Korean emergency relief program as of January 15, 1952—Continued

Country	Date of offer	Details of offer	Value [1]	Status
MISCELLANEOUS CONTRIBUTORS—con.				
League of Red Cross Societies.	July 31, 1951.....	Clothing and medical supplies (donated by British, Iranian, Norwegian, and Australian Red Cross).	....	Under shipment.
	Aug. 9, 1951.....	Used and new clothing (donated by Australian, Swedish, American, and American Junior Red Cross).	$202,100	Do.
	Aug. 31, 1951.....	Educational gift boxes, 50,000 (donated by American Junior Red Cross).	100,000	Do.
Private individuals.	....	$718........................	718	Deposited.

[1] Figures given are official government evaluations in U. S. dollar equivalent. Where no values are shown, the official figures have not been received.
[2] Offered to UNKRA through the Negotiating Committee on Contributions to Programs of Relief and Rehabilitation.
[3] Supplies to value of $160,000 shipped to Korea, of which $115,000 was intended as contribution to Palestine relief. This will be subject to adjustment between the United Nations Korean Reconstruction Agency and the United Nations Relief and Works Agency for Palestine Refugees in the Near East.
[4] The total United States governmental contribution of $108,140,631, as listed above, includes all supplies made available through ECA and U. S. Army programs from June 25, 1950, to Nov. 24, 1951, exclusive of nonrelief, economic aid. For m. t. read metric tons.
Transportation costs for each item are included in the valuation of the item. The United States Government has also contributed the transportation costs on certain offers, both from governmental and nongovernmental sources, as agreed with the United Nations. This contribution is listed in the last item.

United Nations military participation in Korea by country and service

PERCENTAGE OF TOTAL UNITED NATIONS FORCE CONTRIBUTED BY THE UNITED STATES

	Percent [1]
Total United States force, all services........................	64.19
Total other U. N. and R. O. K.[2] forces, all services....................	35.81
Total U. N. force, all services..................................	100.00

PERCENTAGE OF CONTRIBUTION BY NATION BY SERVICE (COMBAT)

Country	Ground forces	Naval forces	Air forces
	Percent [1]	*Percent* [1]	*Percent* [1]
Australia....................................	0.26	0.82	0.46
Belgium....................................	0.17	None	Transport [3]
Canada....................................	1.57	0.87	Do. [3]
Colombia....................................	0.25	0.20	None
Ethiopia....................................	0.31	None	Do.
France....................................	0.27	do.	Do.
Greece....................................	0.26	do.	Transport [3]
Luxembourg [4]....................................	Infantry unit	do.	None
Netherlands....................................	0.19	0.26	Do.
New Zealand....................................	0.23	0.28	Do.
Philippines....................................	0.43	None	Do.
Republic of Korea [2]....................................	40.10	7.45	5.66
Thailand....................................	0.38	0.31	Transport [3] [5]
Turkey....................................	1.47	None	None
Union of South Africa....................................	None	do.	0.20
United Kingdom....................................	3.00	4.22	0.22
United States....................................	50.32	85.80	93.38
	100.00	100.00	100.00

[1] Percentages are current as of Dec. 31, 1951.
[2] Republic of Korea; not a member of the United Nations.
[3] Air transport not included in percentages.
[4] Integrated with Belgian unit.
[5] Withdrawn during month of December 1951.

Senator MALONE. I am going to offer you another piece of advice that is not going to cost you anything, and that is that inside of a year or 2 years we will be run out of Europe because their security is threatened by our presence there and then we will come home and do the job on the Western Hemisphere we should have done years ago. We will keep ready, which you can do now, and keep it so you can defend the Western Hemisphere from North America. That is where you are going to defend it finally.

Let's get back to the subject here.

We are a little far afield and I did not intend to go there.

Do you know how much it costs to get American automobiles into England for example? I am not going into this whole history, but I can if you want to.

Do you know?

Secretary DULLES. No.

Senator MALONE. Well, it costs 55 percent of the cost of the car. And more than that to get it into Mexico. That is your cooperation and your reciprocity and I want to ask you something else.

Does the word "reciprocity", reciprocal trade appear in the act of 1934 or any subsequent time?

Does that phrase occur?

Secretary DULLES. Not in the title of the act: no.

Senator MALONE. It does not occur in the act, does it?

Secretary DULLES. I beg your pardon?

Senator MALONE. Does it occur in the act, reciprocal trade?

Secretary DULLES. I do not recall that it does.

Senator MALONE. Well, it was not in the original one, was it, the 1934 one?

Secretary DULLES. I am not letter perfect on the 1934 act, sir.

Senator MALONE. Well, I am going to tell you that it was not and I am going to tell you it is not operating that way, either. They are not keeping their agreements.

I am going to refer you to two documents prepared on the Western Hemisphere. I think sometimes somebody will be studying them and I do not think it is going to be very long.

One of them is Senate Report 1627, 83d Congress, after a couple of years of hearings. A copy of it is in your files someplace and I presented a copy of it to the President because there have been Cabinet officers preceding you and personnel in the State Department—whether you had ever said it or not I do not know—but it had come out of the State Department consistently for 20 years before you were in charge of it, and once in a while even recently I have crossed the trail of some of your people where they say "Of course you have to get certain materials across the water for national defense and for our civilian use."

I am about to tell you something: You can make the Western Hemisphere self-sufficient in everything you need for war or peace and you can defend it from North America, and that is what you are going to end up doing. While we have our eye all over Europe, Syria and everywhere, we are losing this great area down there, a good part of South America. We got our Vice President in a little trouble there because we have a lot of corporations in there that have not raised the standard of living much but they have their investments, good plants, just as good as our own, shipping the stuff back here under your trade agreements, making plenty of money and I do not blame those organizations.

I blame the Congress for making it profitable.

It is going on all over the world.

Of these two documents, the second one is Senate Document 83 of the 84th Congress and covers every one of those entities and nations, of the Western Hemisphere and breaks it down economically, showing exactly how they handle their economy and what they do to prevent imports coming in when they produce a product commercially, and exactly our relationship. It is not in too much detail but with references so your outfit could do a pretty good job on it and if you find any erroneous statements in either one of them, if you designate one of your assistants to work with me we could correct it if necessary. I edited those two reports. They are engineering reports. It may be the language is sometimes not as nice as if written by an attorney, but you can understand it. There is no misunderstanding any of it.

Now, we are hearing a great deal of talk lately about economic interdependence. What does that phrase mean in your jargon?

Secretary DULLES. It means that no nation can have a healthy and prosperous economy if it lives in economic isolation.

Senator MALONE. Did anybody ever do that?

Secretary DULLES. Live in economic isolation?

Senator MALONE. Yes.

Secretary DULLES. We never did it but some people seem to advocate it.

Senator MALONE. Would you name 1 or 2 included in that category?

Secretary DULLES. There is a considerable school of thought, I do not want to call names.

Senator MALONE. Well, I will call it. I don't know any and I know all of them. I will tell you why you are wrong and you are putting that information out all over the United States. It is erroneous information. Nobody that I know is advocating a high tariff. You are advocating a low tariff, and you say that slowly, gradually, you are going to level these tariffs if you have your way about it, so that there are none. So that every nation produces what it can produce best and cheapest.

I have read this propaganda and I can wake up at 2 o'clock in the morning and make a speech out of it, right out of your office. But what I am advocating is a return to the Constitution of the United States and simply have a tariff flexibly adjusted like the 1930 Tariff Act provided.

It makes up that cost differential as I explained it for the record, and when they raise their standards of living the tariff goes down. I am for free trade when you reach it on that basis.

I am a free trader. The difference is how to reach it. And I do not know of anybody advocating anything different and I would be very happy if you would just get the list.

Secretary DULLES. Senator, the best words I heard in a long time are the words that you are a free trader.

Senator MALONE. I am but I do not want to reach it by destroying the United States of America and remaking the industrial map of America.

Secretary DULLES. And I can assure you there is nobody I know of that wants to reach it by destroying America.

Senator MALONE. How about remaking the industrial map?

Secretary DULLES. We have not been destroying America, Senator. As I say, since the 1934 act, America has grown and prospered, our exports have multiplied nearly 10 times, that is what the——

Senator MALONE. We already went into that and if you want to go into that again I refer you to the table I put in the record during the testimony of Secretary Weeks and I want you to criticize it in a letter if you will.

Get some of your good men on it because it won't be the end of it, the first letter I got.

You know how you are selling these products. You are subsidizing them, and you are building the plants over there, to compete with us, and if you are interested in the financial arrangement, here is what Mr. McChesney Martin, Director of the Federal Reserve said, under my questioning——

Secretary DULLES. Federal Reserve?

Senator MALONE (continuing). That with this money, and otherwise of course, but mostly with the money we give them, they can buy gold here, they can build up dollar balances. You know that, don't you?

Secretary DULLES. Yes.

Senator MALONE. All right. American citizens earn folding money and they can't buy gold, can they?

Secretary DULLES. Cannot buy gold?

Senator MALONE. No.

Secretary DULLES. No.

Senator MALONE. They cannot.

Now then, as a result, if all the dollar balances in Europe convertible to nations' balances were presented for payment and we continued to pay them as our custom has been, we would have left (and this hearing was held last fall) $5,700 million worth of gold.

The administration takes the view that gold is no good, it is just like wheat or any other commodity.

But the fact remains that no country in the world ever had a stable currency that was not on a metal standard and when we removed it in 1933, we started on an inflationary period, didn't we?

Secretary DULLES. There has been inflation since then, no doubt.

Senator MALONE. No doubt about that, and still is.

Inflation is still continuing, isn't it?

Secretary DULLES. Yes.

Senator MALONE. Has it slacked up very much under the Republican administration?

Secretary DULLES. Yes; very much.

Senator MALONE. How much?

Secretary DULLES. Well——

Senator MALONE. You know we have the evidence on that, you know that you can look it up and so can I.

Secretary DULLES. Well, if you have got the evidence on it, it is better not to rely on my memory.

Senator MALONE. Will you complete the record then, just take the inflation from 1934 on through until now and see how much we slacked it up.

Secretary DULLES. I say that during recent years it has slowed up very much.

During the Korean war and during the World War, of course it went up very rapidly.

Senator MALONE. Well, how much did it go up last year? Find it out and put it in the record.

Secretary DULLES. How much last June?

Senator MALONE. How much for the last fiscal year?

Secretary DULLES. Last year?

Senator MALONE. Put it in the record. I will rely on whatever you have to say on it.

(The information is as follows:)

"INFLATION" DURING THE PAST YEAR

The best measure of "inflation" is the Consumer Price Index of the Bureau of Labor Statistics. According to this index, retail prices increased 3.3 percent in the year ending May 31, 1958.

Senator MALONE. The facts are we are still continuing it and there is no way of stopping it except putting something behind the money besides paper.

Now they testified that they could stop the payment of gold any time they wanted to by coming to Congress but, if we did, it would cause a very severe drop in the value of American money on the world market and probably would cause a severe depression here.

Mr. Martin testified to that.

Now the real threat, the Russian threat, if you want to get into it, and it might pay to talk to our Secretary of the Treasury and to Mr. Martin; the Russians have gold, and they are not letting it go out by giving away folding money.

The real threat to America, the Russian threat could be the gold standard for the ruble.

Now they charged me a dollar for 4 rubles over there. It cost $40 a day to live in the National Hotel in Moscow. It should have been 16 rubles to the dollar and that would have been a very reasonable price but I did not do any arguing. I was there for a purpose.

But if the ruble goes on the gold standard Mr. Martin said he shuddered to think what the effect would be, and you had better look for it.

You could find out. You are over in Europe and Asia about two-thirds of the time. A lot of them will know about this and I think England is getting ready for it.

Now, you do not know how many troops we have abroad, do you, in these nations that we give money to?

It is not necessary. It is something out of your line, but I thought you might just know because you do meet with the Cabinet.

It is not necessary for this question.

Secretary DULLES. I don't remember the figure.

Senator MALONE. I would not embarrass you.

We have troops in 73 different nations, all of them dead when the fight starts because you could not feed them and could not get them home.

Secretary DULLES. You say we have American troops in 73 nations?

Senator MALONE. Or at least we did 3 or 4 months ago. I could check it now. They are all spending money—they showed a chart up here that showed military expenditure as part of your trade.

Secretary DULLES. I do not think, Senator, we have American troops in 73 countries.

Senator MALONE. Will you check it to complete the record?

Secretary DULLES. Yes.

(The Department of State later submitted the following statement on stationing of United States Armed Forces overseas:)

For security reasons, the exact number and location of American combat troops abroad cannot be made available for a public record. It is generally known, however, that most of such troops are located in the NATO area and the Far East. About 95 percent of the total number of United States military personnel stationed in foreign countries are located in 12 countries. Military service attachés and their staffs are traditionally attached to United States diplomatic missions abroad, and in some instances Marine guards are provided for the Embassy. Obviously the figure used by Senator Malone could only be arrived at by including such military personnel.

Senator MALONE. I thought they were. I thought they trusted you more than that, that you would know but it is not necessary for you to know.

Secretary DULLES. If you include the military attachés at our embassies as troops abroad, then there would be 73, but as far as any ground forces, air forces, and so forth, I think I can say with confidence——

Senator MALONE. Friend, I have seen all your embassies, and your foreign embassies do a pretty fair job.

I will say this to you, they do as good a job as the State Department will let them do.

I received every courtesy at every one of your embassies and I appreciated it very much. They are good men. Some of them are held down a little by rules and regulations made in Washington, but they understood over there what the situation was, and without violating any confidence, of course which I would not do, I could tell you quite a few things that I think you can get if your policy did not make it impossible to profit by it.

Now, Mr. Chairman, you will remember that I did put into the record the list of the strategic and critical materials so classified a couple of years ago by the Army.

It is subject to change but I think there are 77 of them. The list will appear here and I want to say to you again that the Western Hemisphere can be made self-sufficient in every one of them. Not a one of them do you have to go across a major ocean to get, yet I hear your people, not you, you have never said this, but they make speeches in different places and of course then you send out pamphlets.

You do not say we have to do this but you say we do receive certain strategic materials from overseas.

The conclusion must be reached from these pamphlets that you have to do that, and I want to inform you now and I want you to look at this report. If you have any difference of opinion, get your experts to get in touch with me. I will appreciate it.

You do not have to get it abroad, and these pamphlets you send out are misleading to organizations and people all over the country. Some of them have no other source of information.

Any time you want to discuss it either privately or on the radio or the television I will be very happy to do it with you.

Secretary DULLES. Thank you.

Senator MALONE. Now since the President made a speech in Milwaukee or Minnesota, I think it was in 1953, he has never again said that you had to defend Belgium to get uranium from the Belgian Congo.

When I handed him a bound copy of Senate report 1627 of the 83d Congress, I said "Mr. President, in making these speeches, I am sure you have been advised on these materials, but you can get them right here under your nose where you can defend the Western Hemisphere."

You know that if Russia ever attacks us they are coming over the Pole, they are not coming through Europe or Asia, and the Administration contends we have to defend the Belgian Congo to get uranium. I said, if we treated the taxpayers as well as the foreigners uranium would be running out of our ears in 2 years, as it was.

While still in the private engineering business I made a report, published in 1944. It took 8 years. It covers the Western States, Hawaii, Alaska, and the Philippines, and I covered uranium in Utah and Colorado. There is more information on that in my report than anybody had at the time they split the atom.

It is crazy. You do not have to buy uranium from Canada although that would not be as bad because you could get it during a war. You do not have to get it from the Belgian Congo. You do not have to get it any place other than the United States. The Government is cutting down right now on the purchase of uranium from men who spent their lifesavings in the mining of uranium and you are shutting them down, closing them down, depressing their production and buying it abroad on your policy, I suppose, that you are making friends in foreign lands but what of our friends in America?

Now we have right here this morning the man who is about to be chairman of the Atomic Energy Committee of this legislative body, and I think he knows what he is talking about.

So, Mr. Chairman, in order to save the time of the committee, if I may complete my comment in the record, I will thank you, Mr. Secretary, for being very frank, as you were before, and acknowledging our differences of opinion and the differences in our convictions. I have the highst regard for you.

I do not think you are right in this thing. I hope this committee sees fit to kill this act that you are up here on, and I hope if the committee does not do it, they do it on the Senate floor.

I want you to know that. I think you know it already. And I think if you go back to the policy of merely adjusting the differences in cost of production here and in the chief competing nations and allowing any nation equal access to our markets, but no advantage, let American investors and workingmen compete for the American market on an equal basis with foreigners. Then the American workingman and investor will be back in business. Then you would not have someone in Washington selecting an industry to trade for some foreign policy when some fellow out there, 2 miles or 2,000 miles away, has spent his life's savings and those of his friends in an industry where he is suddenly broke and does not even know what happened because we have a foreign policy that we have to buy with it.

So that is what I believe. I believe we have all the law we need if we just let this act expire on June 30.

Mr. Chairman, I thank you for your patience.

Secretary DULLES. Thank you.

(At the conclusion of his interrogation of Secretary Dulles and Secretary Weeks, Senator Malone presented the following summation:)

Secretary Dulles, in response to my inquiries, conceded that:

1. In the 1934 Trade Agreements Act, Congress, for the first time in the Nation's history, gave the Chief Executive power to trade or sacrifice any industry in the United States in furtherance of his, the Executive's, foreign policy.

2. Prior to 1934, tariffs were set by direct congressional action, as provided by the Constitution, article 1, section 8; not by the President or his subordinates in the executive branch.

3. Since the 1934 Trade Agreements Act, tariffs have been set, changed, reduced, and adjusted by the President, his subordinates, or the latter in consultation with foreign nations, a practice and procedure nowhere authorized in the Constitution.

4. Under the 1934 act and subsequent extension statutes, the President can make any type of trade convention or agreement he wishes, within the time and percentage limits of the legislation, and with any country or group of countries he wishes, regardless of the effect on our domestic industry.

5. Such agreements can apply to every product imported into United States and from any country whose government is recognized by the United States.

6. Under the unconditional most-favored-nation policy of the State Department, such agreements do apply to all such countries and to all products designated in each and every agreement, and apply also to products from countries with which we have no agreement.

7. The President is the sole judge and arbiter of concessions offered to foreign countries.

8. The President is the sole judge and arbiter of what, if any, concessions are sought of other countries in return for concessions made by this country to foreign nations.

9. The President is the sole judge and final arbiter of the effects such concessions granted to foreign countries have on American industry, wage earners, and investors; what, if any, relief is given to American industries being destroyed as a result of concessions to foreign countries, and whether or not relief shall be granted or denied to afflicted industries.

10. The President can ignore or waive the safeguards to American industry which Congress has attempted to provide in recent acts extending the 1934 Trade Agreements Act.

11. Although Congress requires the United States Tariff Commission, an agency of Congress, to prepare peril-point findings to determine, in effect, at what point increased imports resulting from reduced tariffs will cause or threaten serious injury to domestic industry, the President can ignore these findings.

12. Although Congress has set up procedures by which industries that are being destroyed by import competition as a result of reduced tariffs may produce the facts to the Tariff Commission and appeal for an adjustment of the tariff, and although the Tariff Commission may recommend such an adjustment in the interest of the afflicted American industry, the President can and frequently does ignore the recommendations of the Tariff Commission.

13. The so-called escape clause of recent extension acts offers no assurance of escape to any industry from destructively low tariffs even when the Tariff Commission unanimously recommends to the President that relief be granted, because the Trade Agreements Act permits the full power of final decision to rest with the President.

14. With the power of the President under the 1934 Trade Agreements Act to ignore any peril-point determination of the Tariff Commission and to reject any recommendation made by the Tariff Commission under the escape clause, the President can sacrifice any industry he may choose to sacrifice if he believes such sacrifice of a domestic industry will further his foreign policy. (He may also sacrifice any American industry forced to compete against the products of foreign industry regardless of whether or not such sacrifice has any bearing on his foreign policy, but that specific question was not asked of Mr. Dulles.)

15. Tariff Commission findings and recommendations go to the President, as previously indicated, and the Tariff Commission has no authority to adjust any tariff on its own responsibility, regardless of any findings of injury to or destruction of a domestic industry, as it did have under the 1930 Tariff Act when it was subject only to a reversal by Congress.

16. Tariff and trade agreement negotiations with foreign countries are conducted by the State Department, the State Department alone representing the executive branch in actual negotiations.

17. Neither Congress nor congressional committees are advised prior to or during these negotiations what sacrifices or concessions of American markets or interests the State Department plans to offer to foreign countries.

18. Such negotiations are generally carried on with the delegates of 30 foreign nations at periodic, usually annual or more frequent, sessions of GATT (General Agreement on Tariffs and Trade), held at Geneva, Switzerland, the negotiations being multilateral.

19. Congress is never consulted during these negotiations to reduce American tariffs.

20. Congress receives no knowledge of what concessions have been made by our State Department delegates to GATT, or of terms offered or accepted, until negotiations have been completed and the tariff reductions and terms have been finalized and published.

21. GATT sessions are conducted in secrecy. Congressmen who have been in Geneva during sessions of GATT have not been permitted to sit in on any of the actual tariff negotiations. No American industry, organization, or private citizen may appear there.

22. Foreign countries which may offer concessions to the United States or otherwise agree to reduce restriction on American goods in return for free or easy access to the American market, may ignore these concessions or continue their restrictions against American products on the pretense that they are threatened with a shortage in their dollar balances or are experiencing a decline in their monetary reserves.

23. Competing countries can manipulate the value of their own money in terms of the dollar so as to perpetuate a shortage in dollar balances and thus make any peril point set by the United States Tariff Commission prior to the foreign manipulation obsolete and valueless.

24. The words "reciprocal trade" nowhere appear in the Trade Agreements Act.

25. Prior to the 1934 Trade Agreements Act tariffs on each competitive product were determined and adjusted to equalize the differences in wages and costs of producing products in the United States and wages and costs of producing like or similar products in the chief competing nation abroad, which principle has been scuttled by the Trade Agreements Act.

In conceding these facts, Secretary Dulles confirmed my position and the position I have proclaimed throughout my 12 years of service in the United States Senate, and my position prior to that time while I was in private life, that the Trade Agreements Act is a complete nullification of both the letter and the spirit of the United States Constitution. Article 1, section 8 of the Constitution, specifically vests in Congress the exclusive power to lay and collect duties and regulate our foreign commerce.

As Mr. Dulles has conceded, the executive branch now determines the tariff on each product, the reductions made, and with what countries and all countries; that Congress is not even advised of what tariff reductions have been determined on, or what American industries, investments, or jobs are to be sacrificed until the reductions have been made effective at the conclusion of secret negotiations at Geneva, Switzerland; that there is no "reciprocity" whatsoever required by the act itself, and that under the act, each administration has the unreserved power to destroy any competitive industry or to remake the industrial map of America.

It is therefore acknowledged, in effect, that the Trade Agreements Act vests power over tariffs, foreign commerce, and the domestic economy as affected by disastrous foreign competition, in the hands of one man, the President, removing this power from Congress, in which the power was exclusively placed by the United States Constitution.

These are life and death powers over the economy of the United States which the Congress has illegally delegated to the President since 1934, and which three successive Presidents have now exercised.

The proposed extension act would extend these powers to a President or Presidents as yet unknown, and for a term of years so far in the future that no person knows or can predict the status of our economy or the friends or enemies we may acquire before the tariff reducing authority proposed in this bill has expired.

Mr. Dulles, who negotiates these agreements through his subordinates in the State Department, does not know that. Whoever may be appointed as Mr. Dulles' successor within the next 5 years, and who, as Secretary of State, will carry on the negotiations authorized on this bill should the act be extended, does not know that.

To continue this act is to place industry, labor, investors, and the national security on the brink of disaster.

To continue this act is to nullify again the intent and purpose of the Constitution to separate the powers of Government in the regulation of the domestic economy from the making of foreign policy. Under the Constitution, Congress, the elected representatives of the people, was to possess all legislative powers, including those over tariffs, commerce, and the domestic economy; the President was to conduct our foreign policy with the advice and consent of the Senate.

Under the Trade Agreements Act, Congress has divested itself of its legislative power over tariffs, commerce, and the domestic economy as it is affected by tariffs and commerce. By use of the trade agreements procedure, an executive invention to do away with commercial treaties, the President has isolated himself from any requirement that he seek or receive the advice and consent of the Senate.

Prior to the 1934 Trade Agreements Act, tariffs were adjusted by Congress on the principle that they would make up the difference between costs of production in this country and costs of production in the chief competing foreign country. Such a tariff gave American enterprise and foreign enterprise equal access to the American market.

As wage costs and other production costs in foreign countries rose tariff differentials were reduced, so that when and if foreign wages and other costs of doing business were the equivalent of American costs, the tariff would disappear and we would have free trade.

Under a principle fixed by Congress that guaranteed American enterprise equal access to the American market, American investors felt free to risk their capital in American enterprise.

The principle of equal access was abandoned when the Trade Agreements Act was enacted. Tariffs are now adjusted by bureaucrats in the executive branch in the interest, not of American markets, enterprise, or economy, but in the interest of obscure and undefined and fluctuating foreign policies.

For that reason the investment of capital in the United States is now precarious.

For that reason also, there has been in recent years an unprecedented flight of American capital, now exceeding $33 billion, to foreign countries which do offer this capital some protection in the form of protective tariffs or tax incentives.

Mr. Weeks concedes virtually every point conceded by Mr. Dulles. Among those on which he was particularly specific are:

1. That the President, under the Trade Agreements Act, can make any trade agreement he wants within the time and percentage specifications of the bill.
2. That he can do so without consulting Congress.
3. That the Secretary of State will continue to direct and conduct all trade agreement negotiations despite the creation of the so-called Trade Policy Committee of Cabinet members of which Mr. Weeks is Chairman.
4. That the President is not required to accept Tariff Commission recommendations in escape-clause cases, and "can go beyond the peril point as he sees fit."
5. That under the GATT agreement any nation can waive provisions with regard to trade barriers or restrictions if it considers itself threatened by a shortage of dollar balances.
6. That the objective of tariff laws prior to the 1934 Trade Agreements Act was to equalize the differences in domestic production costs with those of the chief competing nation on each product, and thus take the profit out of sweatshop wages at the water's edge.

Mr. Weeks and Mr. Dulles clearly indicate by their testimony that they think the Chief Executive, not only the present Chief Executive but the Executives, whoever he or they may be in the next 5 years, can adjust tariffs and regulate our foreign commerce and the national economy better than can the 435 Representatives and 96 Senators elected by the people, and in whom the Constitution reposes that responsibility and power.

Mr. Weeks and Mr. Dulles thus take a position precisely opposite to that of Abraham Lincoln, who, as a Member of Congress, asked on the House floor:

"Can he," referring to the President, "know the wants of the people as well as 300 other men, coming from all the various localities of the Nation? If so, where is the propriety of having a Congress."

In an effort, obviously, to cite some Republican precedent for legislation such as the administration seeks for the next 5 years, Secretary Weeks, as have other administration spokesmen, claimed that William McKinley "urged the establishment of reciprocal trade legislation."

There is no similarity between provisions of the McKinley Tariff Act of 1890 and the 1934 Trade Agreements Act, nor between tariff legislation enacted during the McKinley administration and approved by him as President.

The McKinley Act sought to assure protection and, where it was not assured, impose retaliatory duties.

The 1934 Trade Agreements Act seeks only to remove protection and to lower duties irrespective of the barriers other nations impose upon our commerce and products.

In the McKinley Tariff Act no legislative powers under the Constitution were delegated to the President. The act was therefore constitutional and so held by the Supreme Court.

The 1934 Trade Agreements Act did delegate legislative authority to the President, and in doing so disregarded the letter and the spirit of the Constitution. The Supreme Courts of this era have refused to consider the question of its constitutionality or unconstitutionality when cases have been brought before it for the purpose of seeking a determination. It has neither upheld the constitutionality of the act nor held it unconstitutional.

Under the McKinley Tariff, Congress retained full power over regulation and rates, and specified the contingencies under which rates determined and specified by Congress would or would not apply to a limited number of commodities.

Under the 1934 Trade Agreements Act, Congress transfers regulation and rate determination to the President. No contingencies or conditions are expressed under which he is required to raise rates, lower rates, bind rates, or do anything he may wish to do with respect to the commerce of country or any product, provided he does not lower rates beyond a certain percentage within a certain period of time.

The McKinley Tariff required the President to impose penalty duties on countries that did not grant equitable concessions to us in return for our concessions to them on certain products.

The 1934 Trade Agreements Act gives the President a blank check which he can fill in at his discretion and tender to any nation in the world, or to all nations under the unconditional most-favored-nation policy.

The McKinley Tariff Act required reciprocity from other nations if they sought any concessions from us.

The 1934 Trade Agreements Act requires no reciprocity or reciprocal treatment from any nation in return for the concessions we extend.

William McKinley was the outstanding champion of his time of tariffs to protect the Nation's economy, industry, labor, and agriculture, and he was too wise a statesman to write a reciprocity provision that did not make reciprocity by the other country mandatory if we extended it any favors, the favors being specified and limited. Under his act we gave little and gained much. Under the Trade Agreements Act we give much and our losses outweigh our gains.

The McKinley tariff reciprocity provision had a specific objective—to break down barriers raised by certain Latin American and European countries to American goods, and to place penalizing duties on important products of those countries if they did not break them down. Spain then governed Cuba and Puerto Rico and drastically restricted their markets to American products.

Here is the text of the reciprocity provision of the McKinley bill·

"That with a view to secure reciprocal trade with countries producing the following articles, and for this purpose, on and after the 1st day of January 1892, whenever and so often as the President shall be satisfied that the government of any country producing and exporting sugars, molasses, coffee, tea, and hides, cured and uncured, or any of such articles, imposes duties or other exactions upon the agricultural or other products of the United States, which, in view of the free introduction, such sugar, molasses, coffee, tea, and hides into the United States he may deem to be reciprocally unequal and unreasonable, he shall have the power and it shall be the duty to suspend, by proclamation to that effect, the provisions of this Act relating to the free introduction of such sugar, molasses, coffee, tea, and hides, the production of such country, for such time as he shall deem just, and in such case and during such suspension duties shall be levied, collected, and paid upon sugar, molasses, coffee, tea, and hides, the product of or exported from such designated country as follows, namely."

Then follows a list of specific duties, on tea, 10 cents a pound; on coffee, 3 cents a pound; on hides and skins, 1 and 1½ cents a pound; on molasses, 4 cents a gallon; and on sugars variable rates up to 2 cents a pound, depending on type and quality. And in 1892 a cent a pound was a more effective rate than 5 cents would be today.

Examining that provision we find that—

1. The reciprocity was restricted to certain countries, producing and exporting certain products.

2. The country either did or did not impose duties or other exactions on products of the United States which the United States, not the other country, considered unequal and unreasonable.

3. Whether the duties or other exactions of foreign countries were unreasonable remained the sole determination of the United States.

4. Specific penalty duties were to be applied to certain imports, not only when and if those countries restricted entry of American goods by unequal and unreasonable duties, but when they did so by any other devices such as prohibitions, quotas, or discriminatory regulations.

5. When a foreign country did impose unequal and unreasonable restrictions against American products, the President was under specific directions from the Congress as to what to do. Congress said it "shall be the duty" of the President to suspend the concessions on certain products given to the foreign country.

6. When the concessions were suspended the President was required by the Tariff Act to impose specific duties on imports of those products from those countries.

The following countries agreed to remove unequal and unreasonable restrictions on entry of American products for the assurance from the United States that coffee, tea, hides, sugar, and molasses from their countries or possessions might continue to enter the United States duty free:

Brazil, Dominican Republic, Guatemala, Honduras, Nicaragua, Salvador, Spain for Cuba and Puerto Rico, Great Britain for the British West Indies, Germany, and Austria-Hungary. Some agreed to extend most-favored-nation treatment to all imports from America; others to grant highly important concessions.

Venezuela, Colombia, and Haiti refused to remove unreasonable restrictions on United States products and the penalty duties specified by Congress were imposed on the enumerated products shipped to the United States by them.

Under a new administration in 1894 a new Tariff Act was passed, taking the teeth out of the old act, lowering duties without requiring any compensatory action on the part of foreign countries benefiting from the lowered duties, and and removing the reciprocity provision of the McKinley Act.

The purpose of the 1894 act, like the purpose of the 1934 act 40 years later, was to increase imports by lowering tariffs without regard to any restrictive barriers imposed against American products by foreign countries, with the illusory hope that such generosity would open the markets of the world to our own products.

The administration that passed the 1894 act was ill-fated; dogged by depression, and thrown out of office in the November 1896 elections. William McKinley was elected President.

McKinley called a special session of Congress immediately. In a message to Congress he asked that—

"Duties be so levied upon foreign products as to preserve the home market so far as possible to our own producers; to revive and increase manufactures; to relieve and encourage agriculture; to increase our domestic and foreign commerce; to aid and develop mining and building; and to render to labor in every field of useful occupation the liberal wages and adequate rewards to which skill and industry are justly entitled."

Chairman Dingley, of the Ways and Means Committee, introduced a bill to provide revenue and encourage the industries of the United States. Protection was reestablished. Imports decreased 20 percent. Exports increased 40 percent.

The Dingley Act, like the McKinley Act of 1897, contained a reciprocity provision, but, also like the McKinley Act, it retained full legislative power in Congress, and did not delegate it as was done in the 1934 Trade Agreements Act and each of the successive extension acts.

Again the President was empowered to impose specific penalty duties on certain enumerated products in return for definite concessions by other countries. The President was empowered to reduce rates on a small number of other specified products to rates of duty specified by Congress in return for definite concessions by foreign countries. And he was permitted to conclude reciprocity treaties with foreign countries and reduce rates as much as 20 percent in return for equivalent reductions, subject to approval or rejection by both the House and Senate.

The 1934 Trade Agreements Act does not require that reductions in duties by the President be submitted to anyone or approved by anyone, or that they be made for any specific purpose or with any specific country. In other words the full legislative authority of Congress is turned over to the President in these tariff actions which is contrary to the Constitution.

Seven agreements were negotiated under the 20-percent clause, properly submitted to the Senate as treaties, and rejected by the Senate. Nine were made under the provision specifying reduced rates on certain enumerated products in return for definite favorable treatment of American products by foreign nations.

In 1902 a reciprocity convention was negotiated with Cuba, granting her a preferential rate of 20 percent in return for Cuba granting a preferential rate to American products reducing duties 20 to 40 percent. The Senate ratified it.

In 1909 under a Democrat administration all reciprocity agreements were terminated except the one with Cuba, and the Tariff Act provided maximum and minimum rates. Maximum rates were to be imposed on countries which discriminated against American products. Germany, France, and a number of other countries did discriminate against American products, but the President never imposed the maximum rates on products of any nation.

In 1911 a reciprocity treaty was negotiated with Canada. The United States Senate ratified it, but the Canadian Parliament rejected it. The 1913 Tariff Act contained reciprocity provisions but required that any negotiation must be submitted to Congress for ratification or rejection.

This is the reciprocal trade legislation that administration spokesmen have been citing as precedent for the 1934 Trade Agreements Act. None of it gave the President blanket authority to remake the tariff, the economy of the United States, or the industrial map of America.

The reciprocity in the Tariff acts previous to the 1934 Trade Agreements Act was for the purpose of protecting American industries and markets. The purpose of the 1934 Trade Agreements Act is to destroy American industries, jobs, and markets.

All previous reciprocity provisions required concessions by foreign countries in the American interest, and required that they honor their commitments.

The 1934 Trade Agreements Act provides for and requires concessions by the United States in the interest of foreign countries.

What happens when Congress refuses to continue and extend the 1934 Trade Agreements Act and permits it to expire?

First we will go back to the 1930 Tariff Act under which the Tariff Commission, first created in 1916 as an agency of Congress, adjusts tariffs on the basis of fair and reasonable competition.

The 1930 act provided for a flexible tariff, as had also been provided in the Tariff Act of 1922.

The 1930 act required the Tariff Commission to ascertain costs of production in the principal growing, producing, or manufacturing centers of the United States, costs of production of such articles in foreign countries exporting these articles to the United States and to "ascertain all other facts which will show the differences in or which affect competition between articles of the United States and imported articles in the principal markets of the United States."

Investigations of comparative costs here and abroad were to be made upon the request of the President, the Congress, its own motion, or, when in the judgment of the Commission there is good and sufficient reason, upon the application of any interested party.

Public notice was to be given and hearings were to be held.

When, following such investigation, the Commission found that the duties fixed by Congress and by statute did not equalize the differences in the costs of production of the domestic article and the like or similar foreign article produced in the principal competing country, the Commission was to report the increases or decreases in rates of duty necessary to equalize such differences. It could do this as and when economic conditions changed, at any time, thus affording the nation a completely flexible tariff system.

A specific criteria was set up for determining and comparing domestic and foreign production costs which included labor, material, and packing costs and other direct charges involved in manufacture.

That is the practical and logical system that this country will revert to when the 1934 Trade Agreements Act expires or is repealed. It is a system fair to domestic industry, to labor and to investors, and fair also to importers and to foreign producers because the tariff would no more than make up the difference between domestic and foreign costs. Thus it would give American products and foreign products equal access to our markets but no advantage.

The 1934 Trade Agreements Act gives all the advantages to the foreign producer; none to the American wage-earner, investor, industry, or manufacturer. It would give American enterprise parity with the foreign producer in our own American market.

This parity would not immediately be achieved, however, on expiration of the the act, because during the life of the act the State Department has negotiated many trade treaties, called agreements, for the purpose of evading consideration by the Senate as provided in the Constitution, many of them to America's disadvantage.

Bylateral agreements would terminate 6 months after the United States gave notice to the foreign country which is a party to the agreement.

Any country which is a party to the international creation known as GATT may withdraw from it within 60 days after notifying the Secretary General of the United Nations.

Therefore, as the United States Tariff Commission has informed me the United States could eliminate all trade agreement obligations, and do so within 2 to 6 months, restoring us to the rational and equitable system of adjusting tariffs to foreign competition, and safeguarding our employment our investments, our security, and our economy.

Senator ANDERSON. Mr. Secretary. Do you mind, Senator Carlson, if I ask a few questions?

Senator CARLSON. I would be most embarrassed if you did not, sir.

Senator ANDERSON. I will try not to be too long, Mr. Secretary.

The subject came up the other day of what happens in case we terminate a multilateral agreement or one country drops out from a multilateral agreement.

The case came up of Mexico where we continued to give Mexico all the protection of the act and Mexico in turn gives us no protection.

Isn't that one of the perils of renewing this?

Countries can drop out, but under the language which was read to us the other day subject to the provisions of section 5, I am quoting from section 4, Mr. Secretary, which is at the bottom of page 3 of a little brochure on trade legislation:

> Subject to the provisions of section 5 of the Trade Agreements Extension Act of 1951 (19 U. S. C., section 1362), duties and other import restrictions proclaimed pursuant to this section shall apply to articles the growth, produce, or manufacture of all foreign countries, whether imported directly or indirectly: *Provided*, That the President shall, as soon as practicable, suspend the application to articles the growth, produce, or manufacture of any country because of its discriminatory treatment of American commerce or because of other acts (including the operations of international cartels) or policies which in his opinion tend to defeat the purpose of this section.

Now, didn't Mexico get the benefit of certain reductions when it came in, and then dropped out and refused to give us the protection even though we continued to give them protection?

Secretary DULLES. I do not recall what we did, Senator, but the act provides, going on to read the section from which you quoted——

Senator ANDERSON. Yes.

Secretary DULLES (reading):

> Provided that the President shall, as soon as practicable, suspend the application to articles of growth, produce, or manufacture of any country because of its discriminatory treatment of American commerce or because of other acts (including the operations of international cartels), or policies which in his opinion tend to defeat the purpose of this section.

In other words, if after termination of the trade agreement, Mexico takes discriminatory action against the United States, the act requires the President, as soon as practicable to suspend the application to its products of this most-favored-nation treatment.

Senator ANDERSON. I assure you, Mr. Secretary, I was going to read that section later because I was going to read it in connection with lead and zinc.

Secretary DULLES. Yes.

Senator ANDERSON. But we did make this trade agreement with Mexico. We did reduce the duty on certain items such as leather, shoes, and baskets, bags, china, earthenware, and ties and many other things, and then we raised the duties to their former level when Mexico withdrew from the agreement. Then, because of this provision, we again reduced the duties to Mexico so they received the full benefit and did not have any of the obligations.

Would you look with any favor on the statement that if they withdrew from the agreement they should not have any of the benefits of the agreement if they did not give us any of the benefits?

Secretary DULLES. Well, I would agree if they withdrew from the agreement and following that, in fact, took discriminatory action against us, that then we should take corresponding action against them.

Senator ANDERSON. We have had, as you know, many arguments over agricultural products, the tomato situation, the cotton situation——

Secretary DULLES. Yes.

Senator ANDERSON. We have never taken any action with regard to anything they have done as discrimination, have we, even though they did drop out from under the agreement? We have never found anything that we regarded as discriminatory under the second clause there?

Secretary DULLES. I am not aware of the fact that we did.

Senator ANDERSON. Now, lead was originally in the agreement with Mexico, and when Mexico canceled the agreement the duty on lead was restored to its original level. Then later, because of this general agreement on tariffs, the duty on lead was again reduced with Mexico so that it has the benefit of that reduction.

Has the President done anything in furtherance of the second clause which you read?

Secretary DULLES. I do not think so; no.

Senator ANDERSON. As you know—I will now come to zinc. Zinc was in the original agreement with Mexico. But just at the time Mexico was canceling zinc, we were negotiating with other countries. So although Mexico canceled out on us, the low duty on zinc became effective for Mexico.

Secretary DULLES. I believe so.

Senator ANDERSON. You are fully familiar with the fact Mexico is a large producer of lead and a large shipper into this country.

Now when the President was asked to do something about this, the Tariff Commission, I believe, found that there was some danger to our domestic industry on lead and zinc, and the President took action the other day, which Secretary Weeks sent up to us on June 19. His report included this letter from the President.

I do not know whether you have a copy of it there, I will hand you a copy. He said:

> Under section 7 of the Trade Agreements Extension Act of 1951, as amended, the United States Tariff Commission reported to me on April 24, 1958, its finding that the domestic producers of lead and zinc were experiencing serious injury.

The date of April 24, 1958, is significant because he must act within 60 days; is that not right?

Secretary DULLES. Yes.

Senator ANDERSON. So he would have to act by June 24.

The Commission was evenly divided on its recommendation for remedial action. Three of the Commissioners—

I might just add parenthetically that is not a new device on the part of the Tariff Commission. The potash situation got hot and so they found three on each side and every time there is a close fight somehow the Tariff Commission ends up 3 and 3, which is diplomacy at its highest level.

Three of the Commissioners recommended maximum increases in tariffs with quantitative limitations. The other three Commissioners recommended an increase in tariffs to the 1930 rates without quantitative limitations of any kind. I am suspending my consideration of these recommendations at this time.

Will you tell me under what language the President may suspend instead of decide?

Secretary DULLES. His authority to suspend?

Senator ANDERSON. Yes.

Secretary DULLES. Well, he is not required to accept the recommendation.

Senator ANDERSON. No, I did not say he was.

Secretary DULLES. Yes.

Senator ANDERSON. I do not say that he cannot just ignore it.

The 1951 act as amended states:

ACTION BY THE PRESIDENT

Upon receipt of the Tariff Commission's report of its investigation and hearings the President may make such adjustment in the rates of duty, impose such quotas or make such other modifications as are found and reported by the Commission to be necessary to prevent or remedy serious injury to the respective domestic industry. If the President does not take such action within 60 days he shall immediately submit a report to the Committee on Ways and Means of the House and to the Committee on Finance of the Senate, stating why he has not made such adjustments or modifications or imposed such quotas.

Now the 60 days will run out June 24. What I am trying to get at is this: You do believe a letter saying "I am suspending action," complies with that provision?

Secretary DULLES. If it goes on as this letter does, Senator, to meet the requirement that he shall immediately submit a report.

Senator ANDERSON. All right.

Secretary DULLES. Stating why he has not made it.

Senator ANDERSON. All right. Go on. What did he say?

Secretary DULLES. The final paragraph of the President's letter says "I am——

Senator ANDERSON. I am not trying to avoid reading these, you understand.

Secretary DULLES. Yes. The letter states that the President is not taking any present action because he is awaiting the action of the Congress on his proposed minerals stabilization plan which was submitted by the Secretary of Interior with the President's approval—and he goes on to say:

This plan offers a more effective approach to the problems of the domestic lead and zinc industries—

and so forth, so I think the President's letter whereby in effect——

Senator ANDERSON. Which plan did he refer to, do you suppose?

Secretary DULLES. Which plan?

Senator ANDERSON. Yes.

Secretary DULLES. He refers to a plan which was submitted by the Secretary of the Interior.

Senator ANDERSON. Yes, but the Secretary of the Interior submitted two plans. We have no way of knowing which one he refers to.

The present Secretary of the Interior submitted one April 15, 1958, and I was curious—I will have to ask you to accept my word for this, because I cannot prove it, except that I have it—but I submitted this suggested bill to a person in my office and asked him to get hold of the experts and see what they thought about this program and he said in a memo:

> Another thought I have on this situation is that now the Tariff Commission has made its recommendation to the President, the President could very easily say "I will not act on the recommendation because Secretary Seaton has presented my plan to the Congress and I will let the Congress act on this,"—knowing very well if Congress does act on it our foreign friends will not like it.
>
> In that way, however, he can be relieved of the embarrassment of acting on the Tariff Commission's recommendation.

This memorandum from my staff man is dated May 1, and on June 19, the President got to doing exactly that, saying that: "I have sent it up to the Congress. It is hoped the Congress will act expeditiously on this plan." As a matter of fact, Mr. Secretary, the Congress had no intention of doing anything with the first of the so-called Secretary's plan. Isn't that your information?

He could not even get it introduced and if you cannot get it introduced it just could not pass, could it?

Secretary DULLES. I don't know.

Senator ANDERSON. So he sent up another one and submitted that on the same day this message came up.

Secretary of the Interior Seaton appeared before the Senate Interior and Insular Affairs Committee June 19 and now there is another bill.

This bill is going to be introduced, I understand, by Mr. Murray, the chairman of the committee, and referred back to the committee to study.

My only point is that actually, as Senator Malone pointed out, this language does not mean a thing.

The President does not need to do anything and the President does not really do anything, does he, under this peril point suggestion that has been made in these problems that arise?

You don't find anything, do you——

Secretary DULLES. I am satisfied that it is the President's intention that something shall be done about it.

Now I think he believes that the way to handle the situation is through such a stabilization plan as was submitted by the Secretary of the Interior, rather than by imposing higher duties or quotas.

But——

Senator ANDERSON. Let me just say to you for you—I do not quarrel with that, I think he does believe that but in this very committee we had a House bill just as we were about to reach the end of the session a year ago and the Senator from Kansas, Mr. Carlson, will remember the situation. We had about five proposals to do something for lead and zinc.

The Senator from Oklahoma, Mr. Monroney, introduced one and various others did. There was an industry plan, and because I have been very much interested in lead and zinc, I introduced finally the so-called Anderson amendment to this bill, that provided for a plan for lead and zinc duties.

It passed the Senate Finance Committee one morning, and then we got word from Mr. Cooper, who was then chairman of the Ways and Means Committee of the House, that he would not consider the bill. It was close to the end of the session.

We have to be practical. There was not any point in killing one good bill in order to tack on a rider that could not pass. The answer to us was, "Don't worry anyhow, the President is about to act on the recommendation of the Tariff Commission."

So the amendment is withdrawn, we reversed our action the very next day, and held it up.

Now the action of the President on lead and zinc was to send us up a bill that a very quick examination of the Congress would have revealed that it did not stand one chance in a million of passing the Congress.

That is the answer to the people who find our lead and zinc industry in distress. Every lead and zinc mine in my State is closed. They are pretty generally over the country.

Mr. Secretary, that could not possibly be regarded as a diplomatic victory for the United States to get those mines closed.

Secretary DULLES. No, but, of course, you are talking to me more about the domestic angles of this thing which I do not know as well——

Senator ANDERSON. Don't you have to think there are domestic angles to reciprocal trade agreements?

Secretary DULLES. I do not know it as much as the Secretary of Commerce or the Secretary of the Interior does.

Senator ANDERSON. No, but the effect of negotiating these treaties can be to paralyze our industries. We had a proper duty on lead and zinc until we got into this.

Secretary DULLES. Those agreements do not preclude action to increase the duties or to impose quotas.

The only question is, as I understand it, what is in the President's mined; it is that he believes that a stabilization program is more effective, taking into account both the national and the international situation, than this other course.

But this other course is available under the law.

Senator ANDERSON. It has been available, Mr. Secretary, to executives since 1934, and no executive, be he a Republican or a Democrat, has ever wanted to take advantage of it because he says it disturbs our international relationships so why hold out any hope of it?

From the days of reciprocal trade on, the mining industries and extractive industries have gone down.

I do not wish to reopen the potash story, but it is just about as bad.

The Treasury found that nations were dumping potash. Dumping, I think, is a bad practice in itself, and I think that the law ought to provide, as the Canadian law provides, that dumping is injury per se.

When you find they are dumping, I don't have to go any further.

But we tried to say that it was injurious, and this committee reported an amendment favorably to the antidumping bill to find it was affirmative if the Commission failed to act within 3 months. You know that the law does not particularly require them to, but if they fail to act within the 3 months, as we thought they should act, it should be regarded as an affirmative finding; also if the Commission came up with another one of these 3 to 3 ties, that the home team should be regarded as winner of the ball game.

Secretary DULLES. But I believe, Senator, there is a separate bill, is there not, to deal with that dumping situation?

Senator ANDERSON. There is a separate bill, and I am trying to say to you we put that amendment on the bill.

Secretary DULLES. Yes.

Senator ANDERSON. It passed the Senate without a dissenting vote. The chairman of the comittee consulted the administration. I was sitting over there and he was sitting in his regular spot and he came all the way around to my side of the table to tell me it had been agreed to by the administration.

It had been agreed to for the purpose of passing the bill through the Senate.

As soon as it got out of the Senate, then the House Members were alerted to the fact it would not be acceptable to the State Department. The State Department is now holding up the antidumping bill because of the potash amendment and it is because of language that says we shall not change the 1947—I do not wish to try to quote it but it is section 201 (a) that requires some sort of a notice.

Now, does Canada give any notice?

If it finds dumping is going on, does it give any notice and conduct any hearing as to whether dumping is injurious or not.

Canada finds dumping injury per se, does it not?

Ask your people.

Secretary DULLES. I think that Canada is bound by the provisions of the General Agreement on Tariffs and Trade which requires that there must be not merely dumping but a finding of injury.

Senator ANDERSON. Exactly; but the Canadian method of finding injury is by finding dumping only, as I am advised.

I am no expert in this field but my people tell me that if you prove dumping that is injury per se in Canada.

Your staff knows whether that is true or not.

Secretary DULLES. Apparently they do not, at least those who do, are not here at the moment.

Senator ANDERSON. I am corrected to say if there is a complaint and there would not be any finding of dumping if there was not a complaint—if there is a complaint and dumping is found that is regarded as injury per se.

But this country is prevented from passing that kind of legislation because it is bound by some other provision, yet all other countries can find that dumping injury per se.

Secretary DULLES. There is another answer, Senator, which is in this respect we live in kind of a glass house——

Senator ANDERSON. What do the Canadians live in, in a wigwam?

Secretary DULLES. The Canadians do not have the agricultural disposal surplus programs that we have, which involves selling agricultural products abroad and cotton, textiles, and the like, at prices below our domestic price.

We are so vulnerable in that respect and so subject to reprisals on that account, that we do not want to be the ones that start out by saying anybody who sells anything abroad at less than the domestic price automatically exposes himself to reprisals without regard to whether or not any injury is accomplished.

Senator ANDERSON. Well, we are not trying to say that. That is the farthest thing from my mind.

Secretary DULLES. I thought——

Senator ANDERSON. But East Germany is dumping potash on the east coast of the United States. It is taking away the market of the normal American producer. The potash mine of the United States Potash Co., the oldest producer, has just been given a 5 weeks' layoff to every employee of it, without pay.

When we get the potash mines in the same shape we have got the lead and zinc mines then of course that will be another victory under this reciprocal trading program.

Secretary DULLES. You say from East Germany?

Senator ANDERSON. Yes, I say from East Germany.

Secretary DULLES. We do not have an agreement with East Germany.

Senator ANDERSON. You have one with other parts of Europe. The original complaint was not against East Germany, but against other European countries.

I am not going to belabor the point, Mr. Secretary.

I want to point out that these are the things that make it difficult to vote for reciprocal trade.

As you well know, I went on the House committee——

Secretary DULLES. I can assure you, Senator, we are anxious to find and we are in the process of finding language for the dealing with this dumping situation which will effectively meet the problem that you refer to.

Senator ANDERSON. I agree with you, the language proposed would deal with dumping effectively by gutting the American potash producers. I am sorry to say that. But the only study I can make of the language was that it was worse than the present situation. He would not want it to be. I want to say for the record he tried hard and is working hard for the situation.

The member he is working with, he says—

> Article 6 talks of material injury, and the United States statute talks only of injury. The United States is saved from a violation in this respect because of the protocol of provisional application of the GATT by which countries are advised to apply this provision only to the extent not inconsistent with legislation in effect on the date they became a party to the GATT.

Now, at the time they became a party, we did not have any provision that the Tariff Commission had to find out something in 90 days.

The first decision of the Tariff Commission, which is supposed to reach a decision, as I understand it, was the decision that it would not decide. That is the decision. That fulfills the law.

It does not fulfill what I think is the moral obligation of the law, and we cannot even solve as small a problem as that. The European potash came to the United States and I admit this is a purely personal problem with us in our particular State because 90 percent, maybe more, of all the potash in the United States comes out of one or two counties in New Mexico, but the price was, let us say, about 31 cents a unit on the eastern seaboard.

Our miners, after the war, went into a prolonged strike and tied up the American producers.

The Germans raised the price of potash to $1.05 a unit.

Just as soon as the strike was settled our mines went into production. The Germans then dropped the price to 27 cents a unit. A man does not have to have been in business too long to know that is not a normal price fluctuation. That is dumping and we have tried to cure it for a long time and we got absolutely nowhere.

We tried it with lead and zinc and we got nowhere.

I do want you to know when people who have heretofore voted religiously for reciprocal trade policies, start worrying about them, this may be some part of it.

The able Senator from Kansas sat with me on the Ways and Means Committee of the House when extension came up in 1945.

I was the newest member elected to the committee. The committee was 12 for and 12 against a renewal. We had prolonged hearings for the record, but the only question was how that 25th member would vote. It did not matter, the rest of them were settled. The 25th member voted for reciprocal trade extension of a satisfactory nature, but when you see your lead and zinc mines closed and know what has done it to them, when you see your potash mines starting to close, when your only other extractive industry is oil and you see trouble in oil, then you begin to have to wonder a little bit whether this is for the benefit of the United States or is not.

I did want you to know that that has caused some people at least some concern.

I appreciate that that brings on problems as well. But I do not believe that just citing a provision that the President will act within 60 days satisfies us very well when the President's decision at the end of 60 days is he won't act because Congress has a bill before it. There will be a bill before Congress on the minerals question every day as long as the lead and zinc mines are closed.

It is a mighty poor excuse for not acting, I think, on the Tariff Commission's recommendation.

I do not say that——

Secretary DULLES. I am sure, Senator, you do not mean to suggest that the President is not acting in good faith in this matter.

Senator ANDERSON. I was just trying to say that as you spoke. I am sorry it looks as if you had to prompt me to say that. You did not have to. I was going to say that is not the reason why the President has failed to act but there will always be a possibility that the President never need to act on any recommendation if the presence of a bill in Congress is to be regarded as an excuse, because as you know from the service which you had in the Senate when I enjoyed serving with you, there are always plenty of bills on every subject, a multitude of them, in the Congress somewhere.

I was just hopeful that we might have had action on it. It was something which would have simplified the problem for a great many people.

I am sorry I took too long.

Thank you.

Now, Senator Carlson?

Senator CARLSON. Mr. Secretary, you have been most generous with your time and you certainly have been frank in your responses and I appreciate very much your testimony.

I want to concur in the statements made by our acting chairman, Senator Anderson, in regard to lead and zinc.

That situation I am somewhat familiar with coming from the territory that had the tristate mining area in it and I know some of the problems, and I think he has handled that very well this morning and presented to you some of our problems in that field.

I am going to have just a very few moments of your time, if I may, and I regret to keep you this long.

I want to get into the section passed in 1955 in Public Law 86.

It is the amendment to section 7, known as the Defense Amendment.

I had something to do with writing that amendment. I participated in the debate when this bill was passed, and I would have liked to have interrogated Secretary Weeks on it but I did not have that opportunity and I would not ask him to come back.

Secretary Weeks is Chairman of the President's Committee on Resources Policy and Energy Supplies, I believe, and he went into it briefly and you were very frank in your responses yesterday to Senator Kerr's questions in this regard.

I want to ask you one or two questions and for the record I would like to have this placed in the record and not read it.

It is subparagraph (b), and I will just read the start of it:

> In order to further the policy and purpose of this section, whenever the Director of the Office of Defense Mobilization has reason to believe that any article is being imported into the United States in such quantities as to threat to impair the national security, he shall so advise the President, and if the President agrees that there is reason for such belief, the President shall cause an immediate investigation to be made to determine the facts.
>
> If, on the basis of such investigation, and the report to him of the findings and recommendations made in connection therewith, the President finds that the article is being imported into the United States in such quantities as to threaten to impair the national security, he shall take such action as he deems necessary to adjust the imports of such article to a level that will not threaten to impair the national security.

On June 4 the President sent a memorandum to the Secretary of the Interior and stated—and I read this memorandum:

> I have approved the recommendations of the Special Committee to Investigate Crude Oil Imports as set forth in the attached report.
>
> I request you to put these recommendations into effect as rapidly as possible.

That is a memorandum by the President to the Secretary of the Interior.

On June 4, the Secretary of Commerce, Mr. Weeks, wrote to the President as follows:

> Dear Mr. President: On May 28, 1958, you directed the Special Committee To Investigate Crude Oil Imports to consider and advise you of its findings and recommendations with respect to whether, in accordance with the memorandum of Mr. Gordon Gray, Director, Office of Defense Mobilization, it would be necessary in the interests of the voluntary program to specify maximum quantities of petroleum products which might be imported into the United States.
>
> The Committee's findings and recommendations are submitted herewith.

Here is the report of this Committee, and I am going to ask, Mr. Chairman, that this all be made a part of the record.

Senator Anderson. That will be done at this point.

(The material referred to follows:)

THE WHITE HOUSE,
Washington, June 4, 1958.

Memorandum for the Secretary of the Interior.

I have approved the recommendations of the Special Committee To Investigate Crude Oil Imports as set forth in the attached report.

I request you to put these recommendations into effect as rapidly as possible.

DWIGHT D. EISENHOWER.

THE SECRETARY OF COMMERCE,
Washington, D. C., June 4, 1958.

The PRESIDENT,
The White House.

DEAR MR. PRESIDENT: On May 28, 1958, you directed the Special Committee To Investigate Crude Oil Imports to consider and advise you of its findings and recommendations with respect to whether, in accordance with the memorandum of Mr. Gordon Gray, Director, Office of Defense Mobilization, it would be necessary in the interests of the voluntary program to specify maximum quantities of petroleum products which might be imported into the United States.

The Committee's findings and recommendations are submitted herewith.

Respectfully yours,

SINCLAIR WEEKS, *Secretary of Commerce.*

REPORT ON IMPORTS OF PETROLEUM PRODUCTS BY THE SPECIAL COMMITTEE TO INVESTIGATE CRUDE OIL IMPORTS, JUNE 4, 1958

In its reports of July 29, 1957, on districts I to IV and of December 12, 1957, on district V the President's Special Committee To Investigate Crude Oil Imports recognized that it would be possible for companies to circumvent the voluntary oil import program by the importation of distilled products. It was recommended in both reports that the Office of Defense Mobilization and the Department of the Interior follow this situation closely.

On May 28, 1958, the Director of the Office of Defense Mobilization concurred in the opinion of this Committee that in order effectively to discharge the Committee's responsibilities with respect to crude oil, the Committee should have cognizance of all aspects of the matter of the importation of petroleum and its products. Additionally the Director reported that there had recently come to his attention reports of projected plans of some importers, which if carried through, could bring about a substantial increase in the level of products importation, which could seriously affect the voluntary program as now established. Accordingly the Director of the Office of Defense Mobilization advised the President that his certification of April 23, 1957, requires cognizance of the whole field of petroleum and its products and the President has instructed this Committee to be governed accordingly.

This Committee has also considered whether, in view of this certification and instruction, it will be necessary to specify the maximum quantities of petroleum products which may be imported into the United States. In its consideration of this question, this Committee has carefully considered both the domestic and the foreign relations aspects of the national security. Its findings and recommendations are as follows:

1. *Residual fuel oil.*—In its report of March 24, 1958, this Committee noted that the review by the Director of the Office of Defense Mobilization indicated that no restrictions on the importation of residual oil were necessary at that time. The Committee has carefully examined the pertinent current data in imports, domestic production and consumption of residual fuel oil. It finds that present imports of this product do not constitute a threat to the voluntary program and recommends that no action be taken at this time with respect to such imports.

2. *Other petroleum products.*—The commercial imports under this group consist largely of asphalt, distillate fuel, finished gasoline, unfinished gasoline, and other unfinished oils.

(*a*) Unfinished gasoline and other unfinished oils: The Committee believes that if commercial imports of unfinished gasoline and other unfinished oils increase beyond the currently prevailing level, such imports may constitute a threat to the voluntary program. The Committee therefore recommends that importing companies voluntarily limit their imports of such unfinished gasoline and other unfinished oils to this level during the remainder of the calendar year 1958. As soon as practicable the Administrator will promulgate administrative procedures as required, governing the importation of such unfinished gasoline and other unfinished oils.

(b) Asphalt, distillate fuel and other miscellaneous products: The Committee has concluded that the current level of commercial imports of asphalt, distillate fuel, and other miscellaneous petroleum products do not constitute a threat to the voluntary program and recommends that no action be taken at this time with respect to such imports.

(c) Product imports by United States Government agencies: Since the Committee's March 24, 1958, report, steps have been taken by the United States Government agencies involved to incorporate the provisions of the Buy American Act in their procurement policies with regard to the purchase of petroleum products including jet fuel.

3. *Review.*—The Committee further recommends that the situation with respect to the importation of petroleum products be kept under constant review and that the Committee be kept advised of the facts both by the Director of the Office of Defense Mobilization and the Administrator of the Voluntary Import Program.

Respectfully submitted.

C. DOUGLAS DILLON,
(For Secretary of State).
DONALD A. QUARLES,
(For Secretary of Defense).
ROBERT B. ANDERSON,
Secretary of the Treasury.
O. HATFIELD CHILSON,
(For Secretary of the Interior).
JAMES T. O'CONNELL,
(For Secretary of Labor).
SINCLAIR WEEKS,
Secretary of Commerce, Chairman.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF DEFENSE MOBILIZATION,
Washington, D. C., May 28, 1958.

Memorandum for the President:

On April 23, 1957, I advised you as follows:

"Pursuant to section 7 of the Trade Agreements Extension Act of 1955 * * * I have reason to believe that crude oil is being imported into the United States in such quantities as to threaten to impair the national security."

Subsequently, you appointed a Special Committee To Investigate Crude Oil Imports and you have, from time to time, received and acted upon its recommendations with respect to a voluntary program for restricting the importation of crude oil.

During the existence of this voluntary program, I have sought to keep abreast of developments in the whole field of the importation of petroleum and its products and have found no basis to make a separate certification to you with respect to products. During this same period your Special Committee has also sought to watch the situation to guard against any circumvention of the voluntary plan by the importation of products.

The Honorable Sinclair Weeks, Chairman of the Special Committee has now advised me that it is the judgment of the Committee that in order effectively to discharge the responsibility which you have laid upon it with respect to crude oil, it should have cognizance of all aspects of the matter of the importation of petroleum and its products. I believe there is merit in the Committee view. Additionally, there have recently come to my attention reports of projected plans of some importers which if carried through, could bring about a substantial increase in the level of products importation, which would seriously affect the voluntary program as now established.

I therefore advise you that my certification of April 23, 1957, requires cognizance of the whole field of petroleum and its products and I recommend to you that you instruct the Special Committee to be governed accordingly.

GORDON GRAY, *Director.*

Senator CARLSON. I notice this Committee is a Special Committee To Investigate Crude Oil Imports.

I would like to ask you, Mr. Secretary, if this is a new committee or if this is a continuing committee?

I notice Mr. Dillon is representing the Secretary of State; Donald Quarles, Secretary of Defense; Secretary of Treasury, Mr. Anderson; O. Hatfield Chilson for Secretary of the Interior; James T. O'Connell for the Secretary of Labor; and Mr. Weeks is the Chairman.

This is not the same Committee as the Committee on Resources Policy and Energy is it?

Secretary DULLES. No, sir.

Senator CARLSON. It may be the same individuals——

Secretary DULLES. No, sir; this is a Special Committee that was constituted prior to this report, and indeed made earlier reports to the President.

I was a member of that Committee and, as I have testified, I myself personally attended most of the meetings of that Committee and I think I personally signed at least two preceding reports dealing with this field.

Senator CARLSON. I am bringing this up because I want to read 1 or 2 sections of it.

I notice in this report, which is dated June 4, so it is very recent, that this Committee in this report states that they are now concerned about the importation and are going—I am going to read it to be exact:

> On May 28, 1958, the Director of the Office of Defense Mobilization concurred in the opinion of this Committee that in order effectively to discharge the Committee's responsibilities with respect to crude oil, the Committee should have cognizance of all aspects of the matter of the importation of petroleum and its products.

Now that will be getting into a new field if we should decide to limit imports based on anything other than crude oil; is that not correct?

Secretary DULLES. That is quite right.

The Committee is watching all of the products. So far it has not, as I understand it, felt it necessary to do anything about the residual oil situation.

Senator CARLSON. But I am to understand that residual fuel oil and petroleum products, unfinished gasoline, unfinished oil, asphalt, distillates, are all being studied.

Secretary DULLES. They are all covered by this mandate of this Committee.

Senator CARLSON. I am going to read one important sentence:

> Additionally the Director reported that there had recently come to his attention reports of projected plans of some importers, which if carried through, could bring about a substantial increase in the level of products importation, which could seriously affect the voluntary program as now established.

Do I understand from that statement that you have information that this voluntary program may be threatened?

Secretary DULLES. There is a certain danger to the program due to the fact that some companies have indicated unwillingness to accept its recommendations.

Now although the program is a voluntary program, in fact there are ways of putting a certain amount of teeth into it and companies which do not comply with this are under certain disadvantages with respect to Government purchases and other things of that sort.

In other words, where the Government has a choice on whether to deal with with companies that comply or do not comply we deal with companies that comply and not with companies that do not comply, and there are various ways of putting teeth into this program.

It could be broken down if there were excessive violations which were, you might say, not absorbed by other members of the industry.

I think the industry, as a whole, realizes that if you move from voluntary restraints into the field of legal quotas that carries you inevitably from one step to another until you have a very large degree of socialization of the whole industry, which is not desired, certainly by the present members of the industry, and I think by others, and the result is that there is a very strong effort being made within the industry to make these so-called voluntary controls, in fact, effective, and I think they have been very effective.

There have been some threats to them but the plan is working pretty successfully up to the present time.

Senator CARLSON. Mr. Secretary, I want to state that when I helped write that section in the 1955 act, I was most hopeful that we would not have to have anything but voluntary programs.

Secretary DULLES. Yes, sir.

Senator CARLSON. I was opposed to mandatory controls then and I am opposed to them now, but sometimes I get concerned that we are not able to cope with the problems under its present law.

Now, according to estimates furnished me which are based upon reports of the importing companies filed with the Texas Railroad Commission the outlook for the third quarter of this year is that imports of petroleum products will exceed 600,000 barrels daily which represents an increase of petroleum products of 40 percent over th third quarter of 1957, and an increase of 100 percent over the third quarter of 1954, which is the year that we established, that is, the President, set up his Cabinet committee to study this over-pressing problem, and in view of that alarming rate of increase, I begin to ask myself, can we, at this session of Congress, afford to report a bill out of this committee that, without our having some assurance we will have some restrictions on this?

Secretary DULLES. Of course there have been parts of this petroleum-products business which had not been under control, and I think those go to make up the figures.

Senator CARLSON. That is correct.

Secretary DULLES. I think in the area where the so-called voluntary controls have been established, the situation has been pretty good, and I am glad to note that within the last few days, I think the Texas Railroad Commission has increased from 8 to 9 days.

Senator CARLSON. One day.

Secretary DULLES. The allowables——

Senator CARLSON. That is correct.

Secretary DULLES. And that is at least a step in the right direction.

Senator ANDERSON. If the Senator from Kansas will just pardon me, you can begin to understand though why many people are a little bit worried. Some of our States have oil, lead, and zinc, and potash, and no matter what they are, there is always some reason why help is not available.

When you want help, the life preserver never quite gets to you.

Secretary DULLES. In this situation, Senator, the life preserver has gotten there.

Senator ANDERSON. Any time it increases from 1954 figure by 100 percent, after we thought we had the job done, I sat in many conferences with the Senator from Kansas and although I was not on this committee, we thought we had done something in 1954. We would have to admit that it was not very effective.

Secretary DULLES. I do not think you have to admit that, Senator. The area in which we dealt, the area of crude petroleum, there has been an effective reduction of imports.

It has caused us a great deal of trouble. If you think that everything is sacrificed for foreign-policy considerations, I suggest you examine what has happened in Canada and in Venezuela because of the restrictions that have resulted here and you will see that foreign-policy considerations have in fact been sacrificed, I hope not unduly sacrificed, to meet the spirit of this act through this system of voluntary controls which has cut down very materially the importations of crude petroleum, so that it bears the same relationship to total production that it did several years ago.

Senator CARLSON. Mr. Secretary, I want to assure you I am most sympathetic with your problem because I have had something to do with this and I know some of the pressures you are under, because I know from the individual companies they are not all in accord on this as to the policy as to how it is to be handled and that is the reason I mentioned this and that is the reason I read this sentence and I am going to read it again, and I read it because of this threatened increase in the third quarter, not just crude oil but all forms of oil.

Secretary DULLES. Yes.

Senator CARLSON. And derivatives. "Additionally the Director reported that there had recently come to his attention reports of projected plans of some importers, which if carried through, could bring about a substantial increase in the level of products importation, which could seriously affect the voluntary program as now established."

And I want to have some assurance that this committee is going to continue to study this with the hope and the thought that these additional increased imports, should they develop, no matter whether from crude oil, residual oil, or any other derivative that the entire picture be taken into account.

Secretary DULLES. Senator, you can have that assurance categorically, and I think you can have confidence in it because the report of the danger which you read here is a report which comes from this committee which shows that it is vigilant in watching the situation.

Senator CARLSON. Well, Mr. Secretary, I appreciate your frankness and I appreciate your appearance, and I regret I took so much time.

Secretary DULLES. You have taken very little time.

Thank you.

Senator ANDERSON. I think the Senator from Kansas is in about the same situation we would be in if they started to import wheat from Canada, and being a wheat State, the State Department does not worry, they will not import a lot of bread. Now they will bring in flour, bran, and a little wheat germ, but they will not bring in any wheat.

It does not do much good as long as they try to bring in all the rest of these things.

Mr. Secretary, I am sorry we kept you so long.

We hoped to get you out of the trenches by 12 o'clock.

The chairman has asked that I insert in the record of the hearings following the oral presentations by the Secretary of State and the Secretary of Commerce, the following statements of views of other departments and governmental agencies: Acting Secretary of Labor, James T. O'Connell; General Counsel of the Department of Defense, Robert Dechert; the Director of the Office of Defense Mobilization, Gordon Gray; Secretary of Agriculture, Ezra Taft Benson; Hatfield Chilson, Under Secretary of the Interior; William B. Macomber, Jr., Assistant Secretary of State; and United States Tariff Commission.

(The reports referred to follow:)

(See also report of the Treasury Department, p. 415.)

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF DEFENSE MOBILIZATION,
Washington, D. C., June 19, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: This is in reply to your letter of June 13, requesting a report from this agency concerning H. R. 12591, a bill to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes.

There can be no doubt that a high level of foreign trade is an important element of our national security. Mutually beneficial trade with nations of the free world strengthens our own productive machine and increases the economic potential of our friends and allies. The reduction of unjustifiable trade barriers through gradual and selective tariff reductions is necessary to an increased flow of this essential trade. Extension of the Reciprocal Trade Agreements Act and the amendments proposed by H. R. 12591 appear to be well designed to accomplish that objective and we are in favor of its enactment.

Special mention should be made of the revision of the national security amendment proposed by section 8 of the bill. The proposed changes are generally designed to clarify procedures and criteria for dealing with threats to the national security arising from imports and to require reporting of actions taken when such threats are alleged. We believe that these amendments are in keeping with the purpose of the statute and are glad to support them.

The Bureau of the Budget advises that it has no objection to the submission of this report and that enactment of H. R. 12591 is in accord with the program of the President.

Sincerely yours,

GORDON GRAY, *Director.*

STATEMENT OF GORDON GRAY, DIRECTOR OF THE OFFICE OF DEFENSE MOBILIZATION ON H. R. 12591

I welcome this opportunity to comment on the special responsibilities of the Office of Defense Mobilization under the Trade Agreements Act. They appear in the so-called "national security" amendment which was added to the act by the Trade Agreements Extension Act of 1955 and which now appears in section 8 of H. R. 12591 in the revised form approved by the House of Representatives.

Congress delegated authority to the Director of the Office of Defense Mobilization for the initiation of procedures to deal with threats to the impairment of the national security arising from imports, and the purpose of this statement is to outline the manner in which the Office of Defense Mobilization has undertaken the discharge of that responsibility and to comment briefly on proposed revisions in that responsibility now before your committee.

Of course, we also have a continuing interest in foreign trade policies and practices generally, in the sense that they affect our total national security position and have a bearing upon the development and maintenance of our mobilization base. As examples, our stockpiling responsibilities take us into the area of foreign trade; and the President has assigned us the task of determining for what critical materials foreign funds obtained from the sale of agricultural surpluses may be expended.

In these and other ways, the Office of Defense Mobilization becomes involved in issues concerning imports because of the relationship of those issues to the national security or the maintenance of the mobilization base.

However, the special assignment to the Director of the Office of Defense Mobilization under the Trade Agreements Extension Act of 1955 has provided for the first time a means and forum through which any threat to national security caused by imports might be reviewed and considered.

It is important to emphasize, however, that there has sometimes been a tendency to interpret the national security amendment as a substitute for the "escape clause." Our administration of the amendment has sought to cut across this interpretation and to make clear that, in fact, it provides a basis for action only in cases where imports threaten the national security by impairing or inhibiting the creation of essential productive capacity, required skills, or other factors essential in times of emergency. Whereas the essential function of the Tariff Commission under the "escape clause" is the determination of injury to industry from imports, we are concerned with discovering any threatened impairment of the national security, whether or not injury to a domestic industry is involved.

In support of actions initiated under the national security section up to this time, we have undertaken to provide flexible procedures which could be adapted to the specific requirements of each situation presented to us. For instance, the Office of Defense Mobilization has made it a practice to hold public hearings if it has appeared that such hearings would provide an effective means of acquiring useful facts and viewpoints. In such cases, the primary purpose of hearings has been to obtain information and to advance investigation of the relevant facts, rather than to be adversary in nature. Information obtained from such public hearings is then studied and analyzed in the light of other facts at hand.

In all cases, whether or not hearings are held, other agencies of the Government familiar with the subject matter and possessing information, expert advice, or specialized experience are consulted to obtain their views and knowledge. Sometimes the necessary investigations are undertaken through the establishment of interagency task groups specifically brought together for that purpose and, in other cases, the bulk of the pertinent information becomes available through the formal statements of the various agencies consulted. The net result of these various processes has assured the Director of the Office of Defense Mobilization that all the information and advice available is in turn made available to him in reaching a final judgment.

As has been pointed out in the course of the discussion of this subject, the issues are seldom crystal clear in many of these situations. Also, some industries have found it very difficult to provide or assemble data to support a petition. Under these circumstances, after making every effort to check with other agencies and within the industry, we have kept some cases open rather than to deny them because sufficient data were not quickly or readily obtainable. This has meant that a few petitions have remained in an inactive status for quite awhile, or have seemed to take a considerable time for processing.

Finally, another noteworthy aspect of the national security amendment has been that, by its nature, it sometimes yields solutions which cannot be entirely final. The dynamics of trade and commerce in the setting of rapidly changing domestic and international developments impose a requirement that we be willing to reopen cases if petitioners indicate the availability of new information or if circumstances change.

I think I need not elaborate the fact that the national security amendment may pose some very difficult problems and judgments. As I have indicated, the questions involved are only occasionally so clear cut as not to be arguable. This is particularly true because the level of imports with respect to a given commodity or industry is often only one of a number of factors which may be affecting the domestic producers and their capacity to meet mobilization requirements. Likewise, the substantial changes in mobilization base and actual mobilization requirements brought about by ever-advancing scientific and technological developments may well produce a different judgment from that which might necessarily have been reached in World War II, for instance.

In any event, I can assure the committee that we take our responsibility under this act altogether seriously. If we are called upon to administer the revised section before your committee, we intend to continue to rely heavily upon the advice of other governmental agencies and to give all petitions the most searching examination.

In that connection, the revision of the national security amendment which has been approved by the House of Representatives has our support. In general, the proposed changes are designed to clarify administrative procedures and criteria and to require reporting of actions taken when threats to the national security arising from imports are alleged. We believe that they are in keeping with the purpose of the statute and that the revised provisions would provide an effective means of giving national security cases the attention they require.

I would now like to describe briefly our operating experience under this amendment, and summarize the cases which have been before us. They have involved the following items:

Crude oil
Photographic shutters
Stencil silk
Fluorspar
Wool felt
Wooden boats
Analytical balances
Clinical thermometers
Clocks, pin-lever watches, timers
Jeweled watches
Cordage
Dental burs
Fine mesh wire cloth
Wool textiles
Heavy electrical generating equipment

CRUDE OIL IMPORTS

In June 1957, after a finding by the Director of the Office of Defense Mobilization that there was reason to believe that imports of crude oil were threatening to impair the national security, the President established a Special Committee To Investigate Crude Oil Imports under the chairmanship of the Secretary of Commerce. The Committee's investigation of the effect of the trend of imports on national security led it to recommend, in July 1957, that a plan of voluntary limitations on imports be adopted by importing companies. The President accepted the Committee's recommendations.

The plan applied to all parts of the country except district V (Washington, Oregon, California, Arizona, and Nevada). When this exception was made, it appeared that imports into the west coast district would no more than make up the difference between demand and domestic crude oil production. Later in the year, however, the Committee found that imports into district V were increasing sharply and would also be at excessive rates unless action were taken to curtail them. Accordingly, the Committee recommended that a plan of voluntary restrictions also be adopted by importers in that area, and this plan became effective January 1, 1958.

More recently, on May 28, 1958, I recommended to the President, in concurrence with the Special Committee, that the importation of petroleum products be placed under the cognizance of the Committee, in order to guard against any possible circumvention of the crude oil program. The President accepted the recommendation and, on the advice of the Special Committee, has directed the initiation of a program limiting the importation of unfinished gasoline and oils.

The need for maintaining a balance between imports and domestic production of crude oil, in the interest of national security, arises from the probability that excessive imports would weaken and might destroy the incentive for exploration and development of new domestic sources of supply. This conclusion was first put forward by the President's Advisory Committee on Energy Supplies and Resources Policy in 1955 and was reiterated in 1957 by the Special Committee To Investigate Crude Oil Imports when it found that additions to domestic reserves had not been keeping pace with the increase in domestic consumption and that the sharp increase in imports then scheduled would bring about a further decline in domestic exploration and development activities. Taking all factors into consideration, including the importance of foreign oil resources to our national security and the importance of the United States market to the oil exporting countries of the free world, the committee found a need for achieving some reasonable balance between imports and domestic production at this time. Its recommendations for a program of voluntary restrictions by importing companies were framed with a view toward flexibility.

The voluntary plan is administered by the Department of the Interior and the need for continuing it will be reviewed periodically. The Special Committee remains in existence to keep the situation under continuing study.

In the case of residual fuel oil, imports have caused complaints from the domestic coal industry and we initiated some months ago a reporting service to watch the trends of such imports. As recently as June 4, 1958, the Special Committee found that residual fuel oil imports into the United States do not threaten to impair the national security. Nevertheless, the Office of Oil and Gas of the Department of the Interior has undertaken the task of preparing a monthly table summarizing the results of importers' replies as to their actual and projected imports of residual fuel oil. These statistics are referred to the Presidential Advisory Committee on Energy Supplies and Resources Policy, which concurred in the desirability of initiating the reporting service and which meets monthly on the subject, to enable it to be continually made aware of the effects of residual oil imports as they relate to the national security and thus to be in a position to make appropriate recommendations.

OTHER CASES

Of the other cases under the national security amendment, each case has its own history and background and there follows a brief description of each.

The petitions for photographic shutters and for stencil silk were withdrawn by action of the submitting industry groups.

The petition for fluorspar was canceled at the request of the petitioners after the Office of Defense Mobilization had scheduled a public hearing. This action was taken to allow time for the industry to evaluate the effects of the Government purchase program authorized by Public Law 733, 84th Congress, which legislation was passed before the date scheduled for the fluorspar hearing.

The Felt Association requested the postponement of action on its wool felt petition pending the results of its escape clause action before the United States Tariff Commission. We have acquiesced in this request.

Action on the petition for wooden boats has been delayed because of the petitioning association's difficulty in obtaining information from its members. The association agreed to revise and supplement its petition at a later date, if it decided to pursue the matter. We have agreed to hold the case open for an additional period.

In the case of the petitions for analytical balances and clinical fever thermometers, the respective petitioning association and guild agreed to restudy their petitions and supporting data with members of their industry. In May 1957, both petitioners notified the Office of Defense Mobilization of their continuing interest and intent to file supplementary data for their respective petitions. Such data have not yet been filed.

A public hearing was held by the Office of Defense Mobilization on January 7-9, 1957, to hear arguments for and against the petitions of the clock, pin-lever watch, timer, and jeweled watch industries. The material obtained on these cases occasioned the active study and continuing cooperation of the Department of Labor, the Department of Defense, and the Business and Defense Services Administration (Commerce), among others. Because of the complexities of this case, it received the most intensive and exhaustive examination, and it was not until February 28, 1958, that I was able to announce my conclusion that imports of jeweled and pin-lever watches were not threatening to impair the national security.

A public hearing was held on September 11-12, 1956, on the petition regarding imports of hard fiber cordage and twine. On March 7, 1957, the Director of the Office of Defense Mobilization rendered a negative decision on the cordage petition, finding that imports of hard fiber farm and industrial twines were not threatening to impair the national security within the meaning of the section. On July 1, 1957, the Cordage Institute, on behalf of its industry members, requested reconsideration of this decision. After a preliminary examination of the brief submitted with the request for reopening, the Cordage Institute and others interested were notified on August 20, 1957, that a further study had been ordered, including a review of the March 7, 1957, decision. With the help of other agencies, this comprehensive study and review were concluded earlier this year and on May 6, 1958, the March 1957 decision was upheld on the ground that the review indicated imports are not threatening to impair the national security.

A petition on dental burs was filed during May 1957 and the processing of the case was concluded. However, on August 28, 1957, just prior to a decision, the American Dental Trade Association withdrew this petition. Within the last 2 weeks, this petition has been refiled and is now being studied.

A petition on fine mesh wire cloth remains inactive, with the industry's concurrence, awaiting the handling of an escape clause petition the industry has also filed. The Tariff Commission has just concluded initial hearings in this matter and now has the case before it for decision.

A petition on wool textiles was filed in 1956 and public hearings were held June 3-4 1957. After investigation, this petition was denied on January 6, 1958.

Finally, on March 7, 1958, the General Electric Co. and others filed a petition indicating their belief that Government procurement of imported heavy electrical generating equipment constituted a threat to the national security. A comprehensive examination of this petition is now being conducted with the assistance of all the agencies involved.

The cases which may now be said to be active or open are those involving fine-mesh-wire cloth, analytical balances, clinical fever thermometers, wooden boats, wool felt, dental burs, and heavy electrical-generating equipment.

It may be noted from what I have said that the interest of the Office of Defense Mobilization in the pending legislation tends to be of a specialized character. In that narrow sense, as I have indicated, it seems to me that the national security amendment has provided a necessary opportunity to review and consider threatened impairment of the national security arising out of imports and that the proposed revision before your committee will appropriately support continuing review and consideration.

Finally, although it goes beyond the direct responsibilities of the Director of the Office of Defense Mobilization, I should like to emphasize my support of the proposed legislation as a whole for the reasons advanced by the President.

STATEMENT OF JAMES T. O'CONNELL, ACTING SECRETARY OF LABOR, ON EXTENSION OF THE TRADE AGREEMENTS ACT

Mr. Chairman and members of the committee, I am pleased to submit this statement in support of the 5-year extension of the Trade Agreements Act, as embodied in H. R. 12591. I shall direct my comments to those aspects of this proposed program which directly concern the welfare of the American workers.

Foreign trade generates employment. This is one indisputable fact that emerges from any consideration of the foreign commerce of this Nation.

We in the Department of Labor have estimated that the jobs of about 4½ million workers are attributable to the activity created by foreign trade. This is about 1 out of every 14 workers in the United States. These 4½ million workers comprise 4 major groups. By far the largest of these 4 is the group composed of 2½ million nonagricultural workers in our factories producing goods for export and in the clerical, manual, transportation, and communication activities associated with actual shipment and exporting. In addition, agricultural exports account for the employment of approximately 600,000 agricultural workers.

Imports of foreign-produced goods also generate employment opportunities in the United States. These employment opportunities come about in the first instance because imported goods must be transported and distributed within the United States, either to distributors or to industrial enterprises which process the imported materials. Over 500,000 workers in the United States are engaged in jobs in this transportation and distribution process. Then, there are about 850,000 workers who are employed in the "first factory processing" of imported materials, which includes such activities as roasting and grinding coffee or making alumina from imported bauxite.

These 4 groups I have described fall into 2 components which comprise the total of 4.5 million workers whose jobs are attributable to foreign trade. Approximately 3,100,000 American workers are involved in our exports from industries and agriculture, while the importation of goods from foreign countries provides jobs for a total of almost 1,400,000 workers.

This figure of 4.5 million has been used extensively in discussions of our foreign-trade program. In this connection, I might point out that the figure is a product of studies made during the past 10 years. The first figures on employment attributable to export industries were published in 1947 on the basis of data from the

Department of Labor and other Government agencies. The current figure was first published in the Compendium of Papers on Foreign Economic Policy, published for the use of the Subcommittee on Foreign Trade Policy of the House Ways and Means Committee.

I am sure you are interested in the relationship of our present unemployment to foreign trade. An analysis of the situation in the industries which have had the greatest employment declines in recent months has been made in the Department of Labor. It appears that exports helped to cushion the declines in employment in the very industries which have experienced the largest drops in production and employment. Thus, the extension of the Trade Agreements Act would have a beneficial effect to the degree that the conclusion of new trading arrangements over the next 5 years would create more opportunities for the exportation of American goods and services in the long run.

In this connection, I am sure we all agree that our national economy must continue to expand. Our attention should be focused on this goal of expansion, and I believe expanding world trade will contribute to it significantly.

I believe that the net effect of foreign trade is beneficial to the American worker. However, I realize that there are and can be specific problems arising from competition from imports. Where such problems occur, H. R. 12591 would provide, through peril-point and escape-clause procedures, adequate machinery to protect the American worker in the event of a serious injury or a threat of such injury.

In connection with the extension of our foreign-trade program, certain proposals for specific aid to communities, businesses and individual workers have been mentioned as alternative devices to providing tariff relief where there is a finding of serious injury under the escape-clause procedures. I believe we should continue to rely on tariff relief under such circumstances. In other circumstances, it is more desirable to rely on programs of general application, such as programs for area redevelopment and the basic unemployment compensation system with improvements in both the amount and the duration of State unemployment benefits.

I would also like to make some observations on the allegation which is frequently made, and usually with reference to specific countries, that differentials in wages between the United States and other countries constitute unfair competition in foreign trade in certain industries.

If this allegation were true, it would not be possible for the United States to be the leading export nation of the world. In all markets from which our products are not restricted because of exchange problems, we compete successfully in a wide range of items. This alone is ample evidence that in and of themselves high wage levels are not a deterrent to competition in international markets.

Finally, I would like to comment on the foreign policy aspects of this problem as they affect American workers. The President has said that the extension of this program is needed to strengthen the economies of our trading partners as well as our own in order to strengthen the free world in its effort to meet the challenge of Soviet communism. This is vital to the welfare of the American worker. The American labor movement has recognized the stake that American workers have in the labor standards and level of living of all other workers in the free world and has for many years concerned itself with this problem. The United States Government, in its objectives in the international labor field, has also recognized this basic principle.

The President pointed in his message to the necessity of meeting the new challenges of the Soviet Union in the economic field, and has characterized this challenge as a test of our free enterprise system. The interests of the American worker require that this test be met successfully. His prosperity is enhanced if we can continue to sell a substantial amount of goods in other countries. This can be done only if other free countries can earn the purchasing power to buy these products—a process which depends basically on the ability of those countries and their workers to produce goods to sell to us. In this connection, I would remind you that the more highly developed countries are this country's best customers for our exports.

For these reasons, expanded foreign trade—both exports and imports—contributes to the economic growth of both America and the rest of the free world. It is a two-way process: They both grow, or neither grows.

GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE,
Washington, D. C., June 18, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of the Department of Defense with respect to H. R. 12591, 85th Congress, the proposed Trade Agreements Extension Act of 1958.

The Department of Defense has consistently supported the trade agreements program, which has been in effect since 1934. It considers the extension of the authority for 5 years to be highly important, and favors the enactment of the legislation in question.

The Bureau of the Budget advises that there is no objection to the submission of this report and that the enactment of this proposal would be in accord with the program of the President.

Sincerely yours,

ROBERT DECHERT.

STATEMENT BY SECRETARY OF AGRICULTURE EZRA TAFT BENSON IN SUPPORT OF THE RENEWAL OF THE TRADE AGREEMENTS EXTENSION ACT OF 1958

I welcome the opportunity to appear before this committee in support of the 5-year extension of the authority of the President to enter into trade agreements. I endorse without reservation the bill as it passed the House of Representatives.

Here is our position:

1. American farmers are among the most efficient in the world. They annually produce more agricultural products than we can use at home. This is particularly true of certain crops and products. Thus, if American agriculture and its farmers are to continue to use their resources to the fullest extent we must maintain and expand both domestic and foreign outlets for farm products.

2. We believe the proposed legislation supports an increasing market for United States farm products.

This ability to outproduce domestic needs has been with us for several years. It still confronts us today. The "crop prospects" map in the Department of Agriculture's June 10 crop report shows "good to excellent" in much of the United States.

The 1958 wheat crop, for example, now gives added promise of reaching a near record total of 1,271 million bushels. For winter wheat the prospect surpasses the previous record 1952 crop which took nearly 9 million more acres to produce.

I'm sure wheat growers are rejoicing over the prospects of a good crop, because they have suffered from drought in the past few years. Nevertheless, the wheat crop in prospect is more than twice our domestic requirements.

There is a real need for this wheat, as well as other excess United States farm products, in foreign areas, especially where economic development is on the upsurge.

Our high level of agricultural exports in the past 2 years has helped bolster farm income, even though industry has experienced some domestic setbacks. We need to pursue an enlightened foreign trade policy to maintain and expand this high level of exports, because high exports relieve the burden of big agricultural production at home. Such a course is to the mutual interest of the United States and its trading partners.

Let us examine why we in the Department of Agriculture believe that favorable action must be taken on the proposed Trade Agreements Extension Act.

REASONS WHY AMERICAN AGRICULTURE NEEDS AN EFFECTIVE TRADE AGREEMENTS PROGRAM

1. *Abundant farm production.*—American farmers live and move in an atmosphere of striving to do things better. Our farmers are the most efficient in the world. Our farm population of 20 million people, less than 1 percent of the world's population, produces one-fifth of the world's output of red meat, and nearly one-third of the world's milk.

The technological revolution in American agriculture has brought us steadily rising output per acre and per animal. Since 1940 our per-acre yield of cotton has risen 67 percent; corn, 56 percent; and wheat, 40 percent. The 1957 yields of all major United States crops averaged 27 percent above the 1947–49 level. United States total agricultural output last year was one of the highest on record—yet it was produced on the smallest acreage since 1919.

This increased output has mainly resulted from the expanded use of science and technology by American farmers. They are using three times as much machinery and equipment and more than twice as many motor vehicles as they were in 1940.

The American farmer today produces as much in 1 hour as he did in 2 hours in 1940, and in 3 hours in 1910. The prospects are good for further increases in our future agricultural production.

The technological explosion of American agriculture has made foreign markets an essential outlet. Without such an outlet, American farmers literally would smother in their own commodity production.

2. *Limited market outlets in United States for farm products.*—Although 85 to 95 percent of our total agricultural production is consumed domestically, foreign markets provide an important outlet for such "problem" crops as wheat, cotton, tobacco (particularly flue-cured types), oilseeds, feed grains, and many other farm products.

In the most recent marketing year, for example, foreign markets absorbed the equivalent of over half the wheat, cotton, and rice crops; over one-third of the soybean production; one-fourth of the tobacco; almost one-half of the tallow; and one-fifth of the lard production.

The United States supplied one-fifth of the world's fresh citrus fruit; one-tenth of the world's fresh deciduous fruit; more than one-third of the world's canned deciduous fruit; and about one-fourth of the world's dried fruit. This represented exports of $230 million worth of fruit. It equaled about one-tenth of United States production.

Exports of American farm products help to bring about a better balance between domestic production and markets. In fiscal year 1957, the Commodity Credit Corporation investment was reduced by almost $1 billion. Over 70 percent of CCC stocks that moved were exported

3. *High-level agricultural exports help the economic position of American farmers.*—In the midst of a nationwide recession, American agriculture's position is remaining relatively strong. Large exports are one of the contributing reasons.

In contrast to the recent downturn in United States industry, mainly attributable to a falling off in domestic demand, a slump in United States agricultural exports came about in 1953, an aftermath of the Korean conflict. Since then aggressive efforts have been made to rebuild agricultural exports, and results have been impressive.

United States agricultural exports during the 1957 fiscal year reached an all-time high value of $4.7 billion, an increase over 1953 of 68 percent in value and about 94 percent in volume. New export records were established for wheat, soybeans, soybean and cottonseed oils, and rice. Exports of cotton were the highest in 25 years.

A heavy flow of farm products to foreign markets is being maintained this year. In the current fiscal year, ending June 30, we expect United States agricultural exports to total around $4 billion. Though this would be down somewhat from last year, due mainly to reduced exports of wheat and cotton, it would still be the second, or possibly the third, best export year in history for American farm products.

It is well to note, in this connection, that the dollar sales of United States agricultural products this fiscal year are expected to be at least as high as the near-record $2.8 billion of fiscal year 1957. Percentagewise, dollar sales this year are expected to be about 70 percent of total agricultural exports as compared with 60 percent in fiscal 1957. It should also be recognized that special Government programs, particularly Public Law 480, contributed substantially to the record level of agricultural exports in fiscal 1957.

What we hope to do in the years ahead is to increase further the portion of United States agricultural exports that moves for dollars. We think that there is good possibility of doing this for many commodities. Despite increasing foreign competition, dollar sales of tobacco should do quite well. We anticipate substantial increases in dollar sales of cotton, wheat, rice, feed grains, fats and oils, and most fruits.

We believe that dollar exports of American farm products could reach $4½ billion by 1965, or more than 50 percent above the present level of $2.8 billion. This projection is based on a continued expansion of the world economy, in an environment conducive to a mutually profitable exchange of products.

But trade expansion does not come about automatically. The future of our dollar exports will depend on the kind of judgment on trade matters that we as a nation are able to exercise. Successful foreign marketing has three basic requirements. One is that our farm products must have access to foreign markets so that foreign consumers have the opportunity to buy them. The second is that foreign consumers are able to earn dollars with which to buy from us. The third is that we operate constructive market development programs abroad.

It is our sincere belief that the type of legislation we are considering today, more than any other single program, supports these basic requirements: giving access to foreign markets for our exports, and giving foreign customers, in turn, the opportunity to earn dollars. Under Public Law 480 we are expanding our market development work. We should all take careful note that the inevitable result of lower exports is lower acreage allotments for the basic crops.

4. *What the trade agreements program has meant, and what its continuation will mean, to American agriculture.*—American agriculture today is maintaining a high level of exports within the framework of the trade agreements program. Nearly four-fifths of United States agricultural exports go to countries with which the United States has trade agreements, either under GATT or under bilateral agreements.

In fiscal 1957 almost two-thirds of these exports—roughly the equivalent of $2.5 billion worth of farm product—moved under some form of trade concession granted to the United States under trade agreements. Nearly 80 percent of United States cotton exports, 90 percent of soybean exports, about 75 percent of unmanufactured tobacco exports, and about 80 percent of fruits and fruit product exports were moved under trade agreement concessions.

During 1957, and thus far into 1958, many trade agreement countries have liberalized their import policies on one or more agricultural products from the dollar area. This easing of quantitative restrictions has resulted in part from the multilateral consultations held in Geneva under the auspices of the GATT. Many American farm products have benefited from this easing of restrictions. Examples are numerous in such commodity groups as fruits and vegetables, cotton, live-stock and its products, grains, fats and oils, and poultry products.

The trade agreements program acts as a restraining influence on the tendency of countries to increase trade restrictions on agricultural products. A member country is inhibited from taking arbitrary action to exclude products from another country; it must be guided by the rules of the program.

If we did not have the trade agreements program, there would be no impelling reason why many nations could not arbitrarily go as far as they wanted in limiting imports of our farm products. The program is our best single hope—through international cooperation—of keeping open and of deepening the channels of trade through which our farm products flow.

American farmers recognize that two-way trade in farm products helps to expand foreign outlets. That is why many farm organizations in past years have testified in support of the continuation of the Trade Agreements Extension Act when it has come up for renewal before Congress.

You and I know that we must buy from other people if we expect them to buy from us. The trade agreements program supports and encourages this basic necessity. The United States today is the world's largest importer of all goods; we are the second largest importer of agricultural products. Examples of such imports are coffee, rubber, tea, bananas, sugar, and wool. These products contribute to a higher level of living for the American consumer. To provide substitutes for such products would entail an uneconomic use of our resources. A similar situation prevails in other countries. Moreover, these imports into the United States provide an important source of dollar earnings for our customers abroad. Thus, a relatively free exchange of goods among countries based on the law of comparative advantage results in mutual gain.

There is a new element of urgency as we look toward the extension of the Trade Agreements Act. On January 1, 1958, the European Economic Community became a reality. The six governments of Germany, France, Italy, Belgium, the Netherlands, and Luxembourg are now establishing a common market. This truly revolutionary step has received the support of the United States. As the nations work toward a common external tariff, which will involve several years, it is important that countries outside the common market be able to negotiate freely. Only by keeping tariffs at the lowest possible level, and by encouraging the six members to do likewise, can they achieve an outward-looking policy, rather than become a restrictive and inward-looking group. Beyond this effort lies a larger European free-trade area, involving 11 additional nations. To bring these various trade changes into fruitful operation will require years of patient negotiations. A liberal policy, stable and definite, on the part of the United States, can contribute much to the common advance in world trade.

I should add that the trade agreements legislation we are considering today is consistent with our domestic agricultural program. It does not prevent the use of export subsidies, provided such subsidies are not used to capture an undue share of world trade.

American agriculture is fully capable of continuing to move large supplies of farm products to foreign areas. In fact, it must do so if we are to prevent large and undesirable surplus accumulations. It is a fortunate coincidence that the abundant supplies from American farms can be one of the free world's great resources in support of political stability and economic development. (As you gentlemen well know, the Communists are making a determined effort to penetrate the less-developed free countries of the world with a strong economic offensive. Two-way trade is one of the weapons they are using. I have brought along today an analysis made by our people regarding this offensive. I recommend that you read it carefully. I think it shows clearly that we must strengthen our own trade ties with these countries.)

By using our farm supplies judiciously now, in pursuit of these objectives, we can build stronger commercial markets for the American farm products of tomorrow. This we hope to achieve with the help of the Trade Agreements Extension Act of 1958.

I have appreciated this opportunity of expressing my sincere thoughts about this important legislation.

DEPARTMENT OF THE INTERIOR,
Office of the Secretary,
Washington, D. C., June 26, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: Your committee has requested a report on H. R. 12591, a bill to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes.

We recommend the enactment of this bill.

This legislation, which has been acted upon favorably by the House of Representatives, will enable our Government to continue to pursue a course that will promote our commerce with other countries of the free world. We are in general accord with the provisions of this measure which includes the extension, for an additional 5 years, of the authority of the President to enter into foreign trade agreements under section 350 of the Tariff Act of 1930, as amended.

We have been advised by the Bureau of the Budget that the enactment of H. R. 12591 would be in accord with the program of the President.

Sincerely yours,

HATFIELD CHILSON,
Under Secretary of the Interior.

DEPARTMENT OF STATE,
Washington, June 20, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance, United States Senate.

DEAR SENATOR BYRD: The Department is pleased to respond to your letter of June 13, 1958, requesting a report on H. R. 12591, to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes.

H. R. 12591 as approved by the House has the full support of the administration. It provides that during the next 5 years the President shall have available, under existing procedures further developed by amendments, adequate authority to conclude reciprocal trade agreements in the interest of the United States. It is based on an administration proposal which the President has described as essential to our national economic interest, to our security, and to our foreign relations and as a powerful force in waging total peace.

Events have moved rapidly in recent months, lending added force and urgency to the President's words. New and disturbing incidents bear witness to growing uncertainty concerning the trade outlook on the part of some of our best neighbors. The Soviet trade drive among uncommitted developing nations has continued to grow. Altogether, it is difficult to overstate the importance of approval of H. R. 12591, which more than any other single act would affirm this country's determination to support and lead a free-world movement to liberalize trade for some time to come, as it has done over the past 24 years.

We believe that this affirmation alone would so encourage advocates of trade liberalization the world over that it would contribute materially to the further reduction of barriers which presently restrict United States exports and hamper world trade in general. It could not help but have a salutary effect upon the future trading policies and practices of our friends and allies.

The safeguards of trade-agreement procedure, developed over the years and further implemented by the provisions of H. R. 12591, provide against any unforeseen adverse import developments that may threaten American interests. In the escape clause, domestic producers have access to a procedure safeguarding particular industries against serious injury from imports. In section 22 of the Agricultural Adjustment Act there is a procedure to safeguard against import interference with governmental agricultural programs. In the national-security amendment, ample scope exists to take necessary action to prevent imports from threatening to impair the national security.

The national security provisions in particular are substantially amended by the new bill (sec. 8), so as to clarify the procedures to be followed and to assure a broad scope of investigation. On the procedural side, it is made explicit that ODM will investigate upon the application of any interested party; further investigation by the President after the Director of the ODM has reported his opinion that the national security is being threatened, is made optional rather than mandatory; a report on each case is to be published. Furthermore, a one-time summary report on administration of the amendment is to be submitted to the Congress by February 1, 1959. As to the scope and character of the investigation and the basis for decision, the law would retain all of its essential flexibility, but it would make clear that not only the quantity but also the circumstances under which imports are entering, including their character and use, are to be studied. In arriving at determinations whether imports are threatening to impair the national security, the Director of ODM and the President are to include in their consideration domestic production needs, capacity of domestic industries to meet these requirements, existing and anticipated availabilities of human resources, products, raw materials and other supplies and services essential to defense, the growth requirements of such industries and supplies and services, including the investment, exploration and development necessary to assure such growth. A consideration of imports in terms of quantities, availability, character, and use is also explicitly required.

The purpose and anticipated effect of the amendments is to strengthen the Executive in taking necessary action to avoid a threat to our national security through imports. Although special attention has been given, in the debates, to the position of extractive industries, it is also plain that the provision is not limited to any particular class or kind of product but may apply to any product. Finally, the President is not limited to a specific kind of action affecting imports, which may not be workable, in dealing with a threat of this kind, once he has determined that a threat exists. Thus, maximum procedural safeguards are coupled with maximum flexibility in action.

This Department strongly supports the President's position in favor of renewal of the Trade Agreements Act with the full authority contained in the House bill.

American economic interest and American foreign policy objectives alike make it of utmost importance that the United States not only provide reassurance of the continuance of a trade policy appropriate to the times, but also that the legislation enable the President to prepare at once for a new general tariff negotiation with the countries which are in process of establishing a Common Market in Europe, to bring the new common tariff down to the lowest possible level so that American exports may compete with minimum difficulty with goods produced within the area. In order to succeed in this effort, it is essential that the President's authority be extended for the full 5 years as provided in H. R. 12591.

The Bureau of the Budget has advised that there is no objection to the presentation of this report and that enactment of H. R. 12591 is in accordance with the program of the President.

Sincerely yours,

William B. Macomber, Jr.,
Assistant Secretary
(For the Secretary of State).

UNITED STATES TARIFF COMMISSION

Washington

MEMORANDUM ON H. R. 12591, 85TH CONGRESS, A BILL TO EXTEND THE AUTHORITY OF THE PRESIDENT TO ENTER INTO TRADE AGREEMENTS UNDER SECTION 350 OF THE TARIFF ACT OF 1930, AS AMENDED, AND FOR OTHER PURPOSES

SHORT TITLE

Section 1 of the bill states the short title of the legislation as "Trade Agreements Extension Act of 1958."

EXTENSION OF PRESIDENT'S AUTHORITY TO ENTER INTO TRADE AGREEMENTS

Section 2 of the bill provides for the extension of the President's authority to enter into foreign-trade agreements under section 350 of the Tariff Act of 1930, as amended, from the close of June 30, 1958 (when his present authority expires), to the close of June 30, 1963. The Trade Agreements Act of June 12, 1934, originally authorized the President to enter into foreign-trade agreements for 3 years. This authority has been extended since then 10 times, for periods ranging from 1 to 3 years. This extension of authority is necessary only to permit the negotiation of new trade agreements; it is not necessary for the purpose of continuing existing trade agreements. Existing trade agreements, and duty rates proclaimed to carry them out, will continue in force regardless of whether the President's authority to enter into trade agreements is extended beyond the close of June 30, 1958.

NEW RATE-CHANGING AUTHORITY

Rate increasing authority.—Section 350 (a) (2) (A) of the Tariff Act of 1930 limits the President's trade-agreement rate-increasing authority to 50 percent above the rates existing on January 1, 1945. Section 3 (a) (1) of the bill would change the base date from January 1, 1945, to July 1, 1934. This would mean that, with the few exceptions where changes in duties were made between June 18, 1930, and June 30, 1934, the base rates for the purposes of the 50-percent limitation on the rate-increasing authority would be the rates originally established in the Tariff Act of 1930.

Between July 1, 1934, and January 1, 1945, a great many tariff reductions were made pursuant to the trade-agreements authority, many of them maximum reductions (50 percent below the original tariff-act rates). Thus the change in the base date proposed in the bill for the rate-increasing limitation would permit greater rate increases on a large number of commodities—in many instances much greater increases—than are permissible under the existing law. On the other hand, because of rate increases that occurred under the "flexible tariff" provision (sec. 336 of the Tariff Act of 1930) between July 1, 1934, and January 1, 1945, the proposed amendment would in a few instances result in a lessening of the amount of permissible increase.

Under the Trade Agreements Act the rate-increasing authority is to be utilized when "required or appropriate" to carry out a foreign trade agreement. This authority has rarely been utilized in connection with normal trade-agreement negotiations. Its use has been significant only in connection with the escape-clause procedure, where the authority has been utilized to increase duties to reflect modifications of trade-agreement concessions pursuant to the escape-clause procedure. It is in this latter area that the rate-increasing authority would have significance in the future, and it is understood that it is in connection with the administration of the escape-clause procedure that the proposal for change in the base date is being made. Experience under the escape-clause procedure indicates that on occasion, particularly where specific rates are involved, the maximum permissible increase in duties under existing law may not provide an adequate remedy for the serious injury that is found to exist in a particular case. Whenever this should be the case, it is necessary to report to the quota authority. Authority to make greater increases in duties in connection with escape-clause action than is now permitted by law would in some cases reduce the need for resort to quotas.

In the case of products whose duty-free status has been bound in a trade agreement, there is no authority for imposing a duty under the escape clause procedure by reason of the prohibition in section 350 against the transfer of any article between the dutiable and the free list. Thus, where a case for escape action is made with respect to a duty-free commodity, the only remedial action the President has authority to take is to impose a quota. There is increasing concern regarding import competition from certain articles on the free list. This is recognized in section 5 (c) of the bill, which amends section 7 of the Trade Agreements Extension Act of 1951 (the escape clause procedure) so as to permit the imposition of a duty of not more than 50 percent ad valorem on duty-free items under the escape clause procedure.

Rate-reducing authority.—The President's new rate-reducing authority is set forth in section 3 (a) (4) and (8) of the bill. The details of the new authority are set forth in the proposed new paragraph 4 of subsection (a) of section 350 (beginning on line 11, p. 3, of the bill). The additional rate-reducing authority is expressed by way of prohibition against rate reductions below the lowest rates resulting from any of three alternatives.

Subparagraph (i) of proposed new paragraph 4 of section 350 (a) limits reductions to 25 percent below the rates existing on July 1, 1958. Subparagraph B (i) provides that the 25 percent reduction may be made in not more than five annual stages, but that the amount of reduction in each stage shall not exceed 10 percent of the rate existing on July 1, 1958. In other words, the 25 percent reduction may be made over a period as short as 3 years (e. g., 10-10-5) up to a period of 5 years, regardless of the amount of reduction in each stage, so long as in no stage does the the amount of reduction exceed 10 percent of the July 1, 1958 rate.

The last part of subparagraph B (i) reading "or in any case in which the rate has been increased since that date," etc., appears to deal with the possibility that after July 1, 1958, and before the conclusion of a new trade agreement a rate may be increased. Such an increase might occur, for example, where the present rate is a reduced rate under a bilateral trade agreement, and before entering into the new trade agreement under the new authority, such bilateral trade agreement is terminated, resulting in the restoration of a higher statutory rate on the product in question. This portion of this subparagraph apparently means that in such a case the staging shall be by annual reductions, each not exceeding 10 percent of the July 1, 1958, rate, or one-third of the "total amount of decrease under the new trade agreement," whichever is the greater. For example, if the July 1, 1958, rate was 20 percent and increased to 40 percent in October 1958, and the new trade agreement provided for a decrease in the rate to 15 percent (25 percent of 20 percent), an annual-stage reduction of 10 percent of the July 1, 1958, rate (20 percent) would be 2 percentage points. One-third of the total amount of the reduction (25 percentage points)—40 percent less 15 percent—would be 8⅓ percentage points. Thus the staging of the total reduction would require a limit of not more than the reduction by 8⅓ percentage points in any stage (one-third of the amount of decrease under the trade agreement—25 percentage points).

This alternate-staging rule may cause difficulty in application. For example, what is meant by the "total amount of the decrease under the foreign trade agreement"? Assume that at the time negotiations are initiated, a statutory rate of 40 percent ad valorem had been reduced in a bilateral trade agreement to 20 percent, and the 20-percent rate was in effect when the negotiations were initiated. Would the "total amount of the decrease under the foreign trade agreement" be from 20 percent to 15 percent, or from 40 percent to 15 percent? If it should be held that the "total amount of the decrease under the foreign trade agreement" is to be determined as of the date of the signature of the agreement, then suppose that the 20-percent rate was still in effect on the date of the signature of the agreement, but the bilateral agreement pursuant to which the 20-percent rate was in force was terminated prior to the proclamation [1] of the new trade agreement. The staging provided for in the new trade agreement would be, let us say, 18 percent, 16 percent, and 15 percent under the basic-staging rule. If, by reason of the termination of the bilateral trade agreement an increase in the rate to 40 percent results, the rule of maximum decreases in any one stage by not more than one-third of the "total amount of the decrease under the foreign trade agreement" would require the 3 stages to be 31⅔ percent, 23⅓ percent, and 15 percent. In other words, the first two stages would both exceed the rate which was the basis of the negotiations, and the proclamation of these rates would be inconsistent with the rates specified in the trade-agreement schedule. This additional staging requirement would be likely to cause some difficulty.

The second alternative limitation on rate reduction is set forth in subparagraph (ii) of proposed new paragraph 4 of subsection (a) of section 350. This

[1] Changes in United States rates of duty under the Trade Agreements Act are only effective when proclaimed.

rate-reducing-authority limitation means that a rate could be reduced by 2 percentage points below the rate existing on July 1, 1958. This alternative limitation would be effective with respect to rates which on July 1, 1958, are less than 8 percent ad valorem or equivalent, and would thus be effective only with respect to low-duty commodities. This limitation is subject to subparagraph 2 (B) of subsection (a) of section 350, which prohibits transfers between the dutiable and the free list, and would thus preclude elimination of a duty by the exercise of this second alternative.

Decreases under the 2-percent authority may be made effective in not more than 5 annual stages, with no decrease in any stage exceeding 1 percent, but subject to the rule referred to above in the case of articles on which the rate has increased after July 1, 1958 (that the reduction will be staged in a manner which will limit each annual-stage reduction to not more than one-third of the "total amount of the decrease under the foreign-trade agreement").

The third alternative limitation on rate reduction is set forth in subparagraph (iii) of proposed new paragraph 4 of subsection (a) of section 350. This permits a reduction to the rate of 50 percent ad valorem or equivalent in the case of articles which are subject to a duty at a higher ad valorem or equivalent rate. Total decrease under this alternative may be made in not more than five annual stages, but with no single-stage reduction exceeding one-third of the total amount of decrease under the foreign trade agreements.

STAGING OF REDUCTIONS

The principle of staging of rate reductions was introduced in the Trade Agreements Extension Act of 1955. There may be a question as to whether any benefits that might be gained from gradualism in the reduction of duties are worthwhile in view of the complications that result from the incorporation of this principle in the rate-reducing authority. In connection with the 1955 act authority, the Commission did not consider it to be feasible to make peril-point determinations on the basis of the staging principle. This was recognized by Congress, as is indicated in the committee reports on the 1955 extension bill wherein it was stated: "In connection with the Tariff Commission's determination of peril points where the gradual reductions required by the bill are involved, the bill contemplates that the Commission will determine the peril point for an article on the basis of the total permissible reduction rather than on the basis of the application of the total permissible reduction on a gradual basis." (House Rept. No. 50, 84th Cong., 1st sess., p. 15.) The staging principle in the 1955 act required myriad computations and the introduction of three rate columns in the trade-agreement schedules, with often ludicrously small gradations in rates without significant benefit to anyone.

Presumably the purpose of gradualism in rate reduction is to enable domestic industries affected to adjust themselves to the reductions. If this be the purpose, then is the Commission to assume that domestic industries are to be expected to adjust themselves to the reductions by increasing their efficiency or diversifying production? If industries are expected to adjust to the reductions, then it would seem that in applying for escape-clause relief with respect to a product on which the rate reductions were gradualized an industry should be expected to show that it was not possible or practicable to transfer its operations to other commodities or to otherwise attempt to avoid the adverse effect of the rate decreases. The Commission has not heretofore adopted this principle in administering the escape clause, but the continuance of the staging principle in the new extension act raises the question as to whether it is the intent of Congress that efforts of an industry to turn to the production of other commodities or to otherwise adapt to the rate reductions should be considered by the Commission in determining whether escape-clause relief is justified. Legislative expression of intent with regard to this would be helpful.

"PERIL POINT" PROCEDURE AMENDMENTS

Section 4 (a) of the bill would extend the time within which the Tariff Commission should report to the President its peril-point determinations from 120 days to 6 months. Section 4 (b) of the bill proposes the amendment of the peril-point provisions to provide that whenever, on the basis of a peril-point investigation, the Tariff Commission finds, with respect to an article on which a tariff concession has previously been granted in a trade agreement, that increased import restrictions are required to avoid serious injury to the domestic industry concerned, the Commission shall promptly institute an escape-clause investigation with respect to the commodity.

Under the existing peril-point procedure, where the Commission determines with respect to an article listed for consideration in proposed trade-agreement negotiations that additional import restrictions are required in order to prevent serious injury to a domestic industry, the President must either negotiate the additional restrictions in the projected trade agreement or report to the Congress his reasons for failing to do so. Instances where the Commission has determined a peril point above the existing rate of duty have been rare in the past. In only four instances has this occurred. The inclusion of one of these instances is doubtful in view of the division within the Commission on the peril point. Another should not properly be included in this group because the peril point actually involved the reestablishment of treatment previously established pursuant to the escape-clause procedure but which had been nullified by a court decision. Thus there are in reality only two instances where the Commission determined peril-point rates above existing rates. In both of these instances the President did not negotiate the peril-point rates and reported to the Congress his reasons for failing to do so. In so reporting, the President advised the Congress that his failure to negotiate the increased duties did not preclude the industries concerned from filing an escape-clause application. This was followed by the filing of an escape-clause application by one of the domestic industries concerned, and after investigation a majority of the Commission found that escape-clause relief was warranted, and so recommended to the President. The President, however, did not accept the Commission's recommendation and no change in the customs treatment of the commodity occurred.

The proposed amendment to section 3 (b) of the 1951 Extension Act would make it mandatory upon the Commission to institute immediately an escape-clause investigation on any commodity on which it found a peril-point rate higher than the existing rate and if the commodity was already the subject of a trade-agreement concession. If this had been done in the case referred to above, the institution of the investigation for escape-clause purposes would have been 6 months earlier than it actually did occur. However, the result would presumably have been the same.

It is possible that a reason for the proposed amendment is that it is recognized that it would be most unusual for a foreign country with which we are negotiating for the granting of reciprocal concessions to be willing to accept a concession in the form of an increase in duty, particularly in a case where there has previously been granted a reduction in duty. Apparently it is thought that since this procedure would not be likely to result in obtaining a negotiated increase in duty the purpose could be accomplished by having an escape-clause investigation, which, if culminating in a justification for an increase in duty, could be accomplished unilaterally, without negotiation excepting for compensation purposes.

A peril-point determination is made after an investigation under section 3 of the Trade Agreements Extension Act of 1951 and public hearings in connection therewith. While a peril-point investigation usually involves many items, and the determinations are made by the Tariff Commission in a relatively short time, the determinations are nevertheless considered sufficient by the Congress to justify Presidential decreases in duties on the basis thereof, as well as increases in duties where increased restrictions are found to be necessary. The fact that the negotiation of an increased duty might not be feasible does not alter the fact that Congress considers it to be appropriate to bring about an increase in the duty on the basis of a peril-point determination.

In a peril-point investigation interested parties are given notice of the investigation and hearings and are given opportunity to appear and be heard in connection with the items listed for consideration in proposed trade-agreement negotiations. They may appear and testify either for a reduction in duty or for an increase in duty, and the Commission's determination is based on the evidence obtained in the investigation, including the hearing.

The adoption of the proposed amendment would require the Commission, after having made an investigation including a public hearing, and having arrived at a determination regarding the need for increased import restrictions, to institute immediately another investigation and to hold another hearing for the purpose of determining the very same question. This appears to be anomalous and implicitly suggests that peril-point determinations are inadequate for the purpose of justifying an increase in duty, but are adequate for the purpose of justifying a decrease in duty.

If a peril-point determination of an increased rate of duty is considered an adequate basis for an increase in duty, it seems that it should also be considered adequate for the purpose of escape action. There is no obligation on the part of the United States as to the length of time in which a determination for the purposes of the escape clause should be made or as to how extensive an investigation should be. The Congress may therefore wish to consider whether, instead of requiring the Commission to institute an escape-clause investigation immediately upon the conclusion of a peril-point investigation, it should provide that whenever the Commission finds under the peril-point procedure with respect to an article on which a tariff concession has been granted that increased restrictions are necessary, the determination should be considered as though it had been made under section 7 of the Trade Agreements Extension Act of 1951, as amended and require the publication of its findings and the basis therefor and appropriate recommendation to the President for escape action.

ESCAPE-CLAUSE PROCEDURE AMENDMENTS

Section 5 (a) of the bill amends the escape-clause procedure (sec. 7 of the Trade Agreements Extension Act of 1951, as amended) by specifying that an organization or group of employees shall be considered an interested party eligible to file applications for escape-clause investigations. Organizations or groups of employees are considered by the Commission to be interested parties for the purposes of filing an escape-clause investigation under the existing law. However, like any other applicants, they are required to conform to the pertinent rules of the Commission governing applications for escape-clause investigations. This amendment will not, therefore, result in any change in practice.

Section 5 (b) of the bill reduces from 9 months to 6 months the time within which the Commission must complete an escape-clause investigation. The bill provides that this reduction in time will not apply to applications pending at the time of the enactment of the amendment.

Section 5 (c) would authorize the President, in carrying out the escape-clause procedure, to impose a duty not in excess of 50 percent ad valorem on any article not otherwise subject to duty. This amendment was discussed earlier in this memorandum.

Section 6 of the bill would add new provisions to subsection (c) of section 7 of the Trade Agreements Extension Act of 1951 (the escape-clause procedure) which would enable Congress to override a decision of the President not to fully carry out an escape-clause recommendation of the Tariff Commission.

The present provisions of subsection (c) are that, upon receipt by the President of the Tariff Commission's escape-clause report, the President may make such adjustments in rates of duty, etc., as are found and reported by the Commission to be necessary to prevent or remedy serious injury. If the President does not take such action within 60 days, he must merely report to the Committee on Ways and Means and to the Committee on Finance, stating why he has not done so. No provision is made for any further action.

Under the bill, if the President does not take the action recommended by the Tariff Commission, and if within 60 days following the date on which the President's report to the congressional committees of reasons for not taking the action recommended by the Tariff Commission, the Congress, by concurrent resolution by a two-thirds vote of both Houses, approves the action recommended by the Commission, the President is mandatorily required to put into effect the changes in customs treatment recommended by the Commission within 15 days after the adoption of such resolution. Privileged status would be given to such resolutions.

"NATIONAL SECURITY" AMENDMENT

Section 8 of the bill deals with the so-called national security amendment. Section 2 of Public Law 464, 83d Congress (the 1954 Trade Agreements Extension Act), provided as follows:

"No action shall be taken pursuant to such section 350 [of the Tariff Act of 1930] to decrease the duty on any article if the President finds that such reduction would threaten domestic production needed for projected national defense requirements."

This section was amended by the Trade Agreements Extension Act of 1955 by designating the above provisions of section 2 as subsection (a) and adding a new subsection (b) reading as follows:

"In order to further the policy and purpose of this section, whenever the Director of the Office of Defense Mobilization has reason to believe that any article is being imported into the United States in such quantities as to threaten to impair the national security, he shall so advise the President, and if the President agrees that there is reason for such belief, the President shall cause an immediate investigation to be made to determine the facts. If, on the basis of such investigation, and the report to him of the findings and recommendations made in connection therewith, the President finds that the article is being imported into the United States in such quantities as to threaten to impair the national security, he shall take such action as he deems necessary to adjust the imports of such article to a level that will not threaten to impair the national security."

The bill would amend subsection (a) of section 2 so as to substitute for the language "if the President finds that such reduction would threaten domestic production needed for projected national defense requirements," the language "if the President finds that such reduction would threaten to impair the national security." This change is apparently made with a view to conforming the purposes of subsection (a) with the purposes of subsection (b).

The bill would revise subsection (b) so as to require the Director of the Office of Defense Mobilization to make a national security investigation upon request of the head of any department or agency, upon application of an interested party, or upon his own motion. If as a result of the investigation the Director is of the opinion that an article is being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security, he must promptly advise the President, and if the President agrees with the Director's opinion he must adjust the imports so that they will not threaten to impair the national security.

The principal change made by the provisions mentioned in the preceding paragraph is to eliminate the specific provision in the present law for an investigation by the President in addition to the investigation by the Director. However, if revised as proposed in the bill, the statute would not preclude an additional investigation by the President if he deems it to be warranted.

Further changes in subsection (b) would specifically set forth factors which the Director of the Office of Defense Mobilization and the President shall take into account in arriving at an opinion and determination, respectively. The factors specified are (1) domestic production needed for projected national defense requirements, (2) the capacity of domestic industry to meet such requirements, (3) existing and anticipated availabilities of the human resources, products, raw materials, and other supplies and services essential to the national defense, (4) the requirements of growth of such industries and such supplies and services, and (5) the importation of goods in terms of their quantities, availabilities, character, and use as those affect such industries and the capacity of the United States to meet national security requirements. The President and the Director would be permitted to consider, in addition, other relevant factors.

Another new requirement proposed in the bill would be that a report shall be made and published upon the disposition of each request, application, or motion made, and the Director would be required to publish procedural regulations to give effect to the authority conferred upon him.

Another new requirement proposed in the bill is that the Director, with the advice and consultation of other appropriate departments and agencies, and with the approval of the President, shall by February 1, 1959, submit to Congress a report on the administration of the national security provisions. Such report would include an analysis of the nature of projected national defense requirements, the character of emergencies that may give rise to such requiremen5s, the manner in which the capacity of the economy to satisfy such requirements can be judged, and the alternative means of assuring such capacity and related matters.

The Commission assumes that the national security amendment, which is considered to be trade agreements legislation, is intended to be administered in conformity with international obligations of the United States. In this connection, it should be noted that in article XXI of the General Agreement on Tariffs and Trade there is a so-called security exception that permits a contracting party to take any action which it considers necessary for the protection of its essential security interests "if taken in time of war or other emergency in international relations." To be consistent with the general agreement, therefore, action under the national security amendment that would restrict imports in a manner otherwise inconsistent with the agreement would conflict with article XXI of the agreement unless taken in time of war or other emergency in international relations.

EXTENSION OF SUBPENA POWER OF THE TARIFF COMMISSION

Section 9 would amend the existing provisions of the Tariff Act of 1930 which grant to the Tariff Commission subpena and other powers to obtain information in connection with certain investigations and provide general authority for the Commission to adopt reasonable procedures and rules and regulations deemed necessary to carry out its functions and duties.

The present subpena powers of the Commission may be used only in connection with investigations conducted under part II of title III of the Tariff Act of 1930. Part II includes general powers to make investigations under section 332 of the Tariff Act, flexible-tariff investigations under section 336 of the Tariff Act, and unfair import practice investigations under section 337 of the Tariff Act, and investigations regarding discrimination by foreign countries against American commerce under section 338 of the Tariff Act (the latter provision being, for practical purposes, obsolete). No specific subpena authority is given to the Commission in connection with the functions which it is required to perform in trade agreements legislation in section 22 of the Agricultural Adjustment Act, as amended, and in the Antidumping Act of 1921. This has caused the Commission to resort to making escape-clause investigations, for example, investigations under section 332 of the Tariff Act of 1930 as well, in order to make available the subpena power that may be used in connection with a section 332 investigation. This is an unsatisfactory state of the law and there seems to be no reason to assume that Congress deliberately omitted the extension of subpena powers in connection with escape clause and other investigations which the Commission is required to make under statutes other than the Tariff Act of 1930.

The possession of subpena powers by the Commission is an aid in expediting its investigations, even though such powers are rarely used. If the time for completion of escape-clause investigations is reduced from 9 months to 6 months, the enactment of section 9 would be of some help in enabling the Commission to obtain necessary information in time to complete investigations within the curtailed period.

Specific authority for rules and regulations by the Commission is contained in sections 336 and 337 of the Tariff Act of 1930 only. The Commission should have the general authority to make reasonable rules and regulations necessary to carry out any of its functions. Section 9 (c) would provide this authority.

Senator ANDERSON. We will recess until 10 o'clock Monday morning.

(Whereupon, at 12:05 p. m. the committee was recessed, to reconvene at 10 a. m., Monday, June 23, 1958.)

TRADE AGREEMENTS ACT EXTENSION

MONDAY, JUNE 23, 1958

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

The committee met, pursuant to recess, at 10 a. m., in room 312, Senate Office Building, Senator Clinton P. Anderson presiding. (The chairman was absent due to illness in his immediate family.)

Present: Senators Anderson (presiding), Long, Douglas, Martin, Williams, Malone, Carlson, and Jenner.

Also present: Elizabeth B. Springer, chief clerk.

Senator ANDERSON. The committee will be in order.

We have a rather long list of witnesses for this session.

Again I am going to repeat the rules the chairman laid down that the witness will be allowed to present a prepared statement without interruption, subject to a time limitation of 10 or 15 minutes, and the committee members will try to stay to a 20-minute schedule on questions.

The first witness this morning is Mrs. Walter H. C. Laves, director of the League of Women Voters.

Mrs. Laves, if I do not ask you a lot of questions you will know it is because I have a sore throat and not because I have a mean disposition.

Go ahead, please.

STATEMENT OF MRS. WALTER H. C. LAVES, DIRECTOR, LEAGUE OF WOMEN VOTERS OF THE UNITED STATES

Mrs. LAVES. Mr. Chairman and members of the committee, I am Mrs. Walter H. C. Laves of Bloomington, Ind., a member of the board of directors of the League of Women Voters of the United States, which consists of over 126,000 members in more than 1,000 local leagues in all 48 States, Alaska, Hawaii, and the District of Columbia.

For over 20 years the League of Women Voters has supported the principles of expanding world trade as embodied in the Trade Agreements Act, GATT and the proposed Organization for Trade Cooperation.

We feel strongly that the United States must be able to move forward in a role of leadership in the field of world trade, because of the ever-increasing importance of trade for our own national interest.

Assuming this role of leadership requires recognition of certain facts in the current world situation.

The first of these facts is the deep and increasing involvement of our own economic life with that of the entire world. It is obvious that all countries are becoming more dependent on each others' resources and markets as they seek to expand their own domestic capacities.

This is especially true of the United States, with its great productive capacity. Though we have been relatively self-sufficient in the past, we are experiencing increasing shortages of raw materials, which will be accentuated in the future. At the same time, the volume of jobs and profits that depend upon export of our products increases steadily.

As trade draws all nations closer together, it involves us in each others' problems and opportunities. An adequate trade policy is no longer concerned merely with questions of tariffs and other trade barriers, but involves such complicated questions as foreign exchange shortages, the role of private investment, taxes, and the development of regional trading groups.

One such problem, which is causing increasing difficulty, is the plight of the one-commodity country where a crop failure, a serious price drop or the loss of an export market can bring economic disaster to the entire nation.

So far, very little has been done to alleviate this kind of situation. Surely the hostility encountered by Vice President Nixon on his recent trip was in part a reflection of resentment over United States trade barriers, actual or feared, against a few products that loom disproportionately large in the total economies of Latin American countries.

These recent episodes also illustrate a second significant fact: the importance of our trade policies for our foreign policy objective that seeks to develop sturdy, reliable partners for a more peaceful free world, in which we can maintain our way of life through voluntary cooperation with others.

The thrust toward this goal must be consistent. To foster economic aid and development programs to increase world prosperity, and then refuse to trade with the developing countries is not only inconsistent, but it is dangerous in that it arouses enmity and suspicion on the part of those we want for our friends. One of the surest ways to assure the strengthening of new free-world nations is to encourage their self-help through offering them increasing trade opportunities.

A third, and closely related fact is the steady expansion of economic warfare by the Communist bloc countries. The U. S. S. R. has embarked upon a broad program of trade with the underdeveloped countries, with the clear objective of binding their developing economies as closely as possible to the state-controlled economies of the Communist bloc.

If our trade policies discourage the hopes of the new nations to find outlets in the free world for their developing productivity, we may lose not only great potential markets but also free world partners that are important for our very survival.

A fourth new and important fact in the current world trade picture is the rapid development of the European Common Market, which within a decade or so promises to weld into a single economic unit 6 nations that in 1956 accounted for $2.9 billion of our export trade.

As these nations gradually eliminate all trade barriers among themselves and adopt a common tariff level against outside nations, the crucial question is whether we shall be able to prevent discrimination against our goods in this important European market.

The ability of our Government to negotiate flexibly and on a long-range basis with this powerful new trading unit as it develops may make the difference between trade cooperation and trade war with our friends, in the future.

Now, obviously, the Reciprocal Trade Agreements Act is not going to take us very far toward the solution of all our trade problems and the meeting of the Communist economic challenge. New and creative thinking concerning these problems is now going on in many segments of the American public, including the Congress of the United States, and we hope that out of this ferment will come proposals for a more positive, constructive, and consistent foreign economic policy.

In the meantime renewal of the Trade Agreements Act is imperative, as an extremely modest but indispensable step in the right direction. The League of Women Voters has been concerned at the steady weakening of the act in the last few years, and though we do support its extension, we feel that any further crippling amendments would seriously curtail the ability of the United States to conduct negotiations with other countries.

Without this ability, we could not even make a beginning toward an adequate trade policy.

To be specific:

We endorse the extension of the act for 5 years, not only because the longer period of time promotes greater consistency of policy, but also because of the need to conduct uninterrupted negotiations with the European Common Market during the critical years of its development.

We do not favor the expansion of the escape-clause principle, which we believe increases instability in our trade relations.

The escape clause started out as a narrow street where interests having justified complaints could seek a passageway to special protection. In recent extensions of the Trade Agreements Act, the escape clause has become a broad throughway, and now we find still another provision to make the throughway even wider.

I refer to the section authorizing the President in escape clause cases to raise tariffs by 50 percent of the 1934 levels instead of the 1945 levels as at present. By permitting a 50 percent increase of the high 1934 rates, tariffs on some items could be raised several hundred percentage points above their present levels. This could have a disastrous effect in barring foreign goods from our market.

Another threat not only to trade, but also to our foreign policy objectives, is the suggestion that the Tariff Commission findings should be made binding. The interests of all Americans must be considered, and not just those of the group whose complaint is investigated by the Tariff Commission.

One of the most important considerations is the question of who gets hurt by the raising of tariffs or the imposing of quotas. Surely, that forgotten man—or woman—the consumer, suffers through paying higher prices.

Our exporters, and the workers they employ, will pay a heavy penalty if other countries cannot sell to us and thus earn the dollars needed to buy United States goods. Our foreign relations become strained on all levels—diplomatic, military, political, economic—if we strangle the economy of our friends by closing our markets to their merchandise.

We may indeed force our allies into political as well as trade relations with the Communist countries if we reject their commodities.

We must analyze these factors and many others to see who gets hurt by high tariffs. Against these conclusions must be weighed an appraisal of who gets helped by high tariffs.

Only after considering the evidence from all points of view can sound judgments be made in the best interests of the United States.

Because we feel that only the executive branch of the Government has the information available to it to make decisions on an overall basis, the League of Women Voters would like to see eliminated the provision inserted by the House of Representatives for escape-clause review by the Congress.

During 1958 the local Leagues of Women Voters have been conducting many community programs on the importance of an expanding world trade for the United States. We have found both interest and support on the part of the public. This attitude was certainly reflected in the large vote supporting the Trade Agreements Act in the House.

We urge the Senate Finance Committee to strengthen the world trade position of the United States by supporting—

1. Renewal of the Trade Agreements Act for a period of 5 years;
2. By assuring retention in the executive branch of final decisions on escape-clause findings;
3. By rejecting any broadening of the escape clause;
4. By supporting GATT and OTC as means for the effective negotiation of the agreements made possible by the Reciprocal Trade Agreements Act.

Thank you.

Senator ANDERSON. Do I understand you do not like the bill as written?

Mrs. LAVES. We think it is not adequate, but we think that it should be renewed.

Senator ANDERSON. Well, but you do not want the 1934 level; you want the 1945 level?

Mrs. LAVES. We would like to see that change; yes.

Senator ANDERSON. If you went to the 1945 level and took out the escape-clause provisions, do you think it would pass?

Mrs. LAVES. This, I would not know.

Senator ANDERSON. Would you care?

Mrs. LAVES. Yes, we do indeed care, yes.

Senator ANDERSON. Well, it would jeopardize it, if you go back to the 1945 law. It is something to think about.

You have to weigh all of the considerations.

Mrs. LAVES. Yes, it is. You have to weigh the possibility of passage either way but it is important to us to state our position and what we would like to see passed.

Sneator ANDERSON. Senator Jenner?

Senator JENNER. I have a question or two, Mr. Chairman, I have to go to the Judiciary Committee.

What percent of our total productivity of this country goes into export trade?

Mrs. LAVES. This I do not know. I do know——

Senator JENNER. How can you testify on a thing like that if you do not even know that simple question?

Mrs. LAVES. We can testify on it, I think, on the basis of other figures. I think the fact that I believe is established as based upon——

Senator JENNER. These are the facts established.

What percent of our total productivity, goes into export trade? You don't know?

Mrs. LAVES. I do not know the precise figures.

Senator JENNER. What percent of our total export trade goes to Canada?

Mrs. LAVES. Certainly a larger percent than goes to any other country. Canada is our best customer.

Senator JENNER. You do not know what percent it is?

Mrs. LAVES. I do not know.

Senator JENNER. Who do you get these other facts from—but you cannot find out these facts. Could you furnish these facts to the committee?

Mrs. LAVES. All right.

Senator JENNER. Find out also what percent if you don't know, what percent goes to Latin America and South America. Do you know that?

Mrs. LAVES. I do not.

Senator JENNER. Also find out what percent of our total export trade goes to Europe, and Asia, and South Africa.

Mrs. LAVES. Yes.

(The information is as follows:)

United States merchandise exports in relation to gross national product, 1957

[Value in millions of dollars]

Gross national product	$433,900
Exports including reexports [1]	20,800
Exports as percentage of gross national product	4.8

[1] Shipments to foreign countries of United States domestic merchandise and reexports, as recorded by the Bureau of the Census. The data include, besides commercial goods, shipments of military equipment and supplies and other aid and relief shipments whether financed by Government or private agencies.

United States exports by areas and continents (total, 1957, $20,809.7)

[Value in millions of dollars; export data by areas include all special category items; data by continents excludes special category items as indicated in explanatory note]

Area and Continent	Exports including reexports	Percentage of total United States exports
Canada	$4,033.1	19.38
20 American Republics	4,673.4	22.45
Western Europe	6,738.5	32.38
Other areas	5,364.7	25.77
Western Asia [1]	406.2	1.9
Far East [1]	3,239.9	15.5
Africa [1]	681.0	3.2

[1] Security restrictions prevent publication of detailed statistics for certain commodities included in this category. These include military equipment, special machine tools, some radio and other electrical apparatus, etc.

Senator JENNER. When you find these facts out, I think you will find that somebody is giving you a lot of bad information.

For example, let's assume and I think it is a fact, that Canada takes 25 percent of our total export trade, and your Government has adopted the policy, and set up $3½ billion to take surplus grain, grown in our economy, and given it away to the rest of the world.

Now when we do that, we destroy the economy of Canada, our biggest export trader, and our most substantial friend, because Canada primarily is an exporter of wheat.

Mrs. LAVES. Right.

Senator JENNER. When you destroy Canada's export wheat business, you are wrecking their economy, destroying our best customer.

Now you seem in this statement of yours to be greatly concerned about Russia's economic warfare.

Mrs. LAVES. Yes, sir.

Senator JENNER. Do you know how much money Russia has spent in her total economic warfare as you have called it, throughout the world in the last 50 years or 25 years?

Mrs. LAVES. Fifty years?

Senator JENNER. The last 5 years; the last 2 years.

Mrs. LAVES. No.

Senator JENNER. Do you know of any figure, what she has spent?

Mrs. LAVES. I do not know the figures, no.

Senator JENNER. Do you know what your country has spent in foreign aid and so forth, in the last few years?

Mrs. LAVES. I have a pretty good idea.

Senator JENNER. Will you tell the committee?

Mrs. LAVES. I am sorry; I do not have the exact figures.

Senator JENNER. Who prepared this statement for you?

Mrs. LAVES. I prepared it in collaboration with other members of the League of Women Voters Board and staff.

Senator JENNER. Well, would it be important to change your testimony if I told you that all of the economic aid that has even been tentatively promised by Russia to all the world put together only amounts to a little over a billion and a half dollars and that we have already spent $67 billion?

Mrs. LAVES. And you regard this as inconsequential?

Senator JENNER. We spent $67 billion, and you are worried about Russia's economic warfare, and she spent a billion and a half.

What do you think about it?

Mrs. LAVES. I think that our proportion, that the amount that we have spent has been justified. I think that our position is at this point stronger than that of the Soviet bloc.

The only thing I am concerned about, Senator——

Senator JENNER. You think it is stronger than the Soviet bloc?

Mrs. LAVES. I think it is stronger.

Senator JENNER. Let's stop and analyze that statement.

Let's do not think, let's talk about facts.

Mrs. LAVES. Yes.

Senator JENNER. Why do you say it is stronger when at the end of World War II there were about 175 million Russians, not Communists, in the whole world but today after they have spent a billion and a halt in economic aid and we have spent a total of $67 billion she today controls over a third of the world, and over about a billion people?

Do you think we are in better shape than she is?

Mrs. LAVES. I think you misinterpreted what I said.

What I meant to say was that I think as of this moment our position, with the uncommitted world, is stronger than that of the Russians, because——

Senator JENNER. Who is the uncommitted world?

Let's get these facts out. This committee has got to act on facts. Who is the uncommitted world?

Mrs. LAVES. By the uncommitted world, I mean such nations as the underdeveloped countries of Asia, of Africa, of the Middle East.

Now I realize that in each case——

Senator JENNER. Let's see, is India uncommitted?

Mrs. LAVES. I would say that India comes closer to being committed to us than to the Russians, the Communist bloc.

Senator JENNER. Let's see, is Poland uncommitted?

Mrs. LAVES. No; Poland is committed.

Senator JENNER. Is Yugoslvaia uncommitted?

Mrs. LAVES. That is an interesting question as of the moment.

Senator JENNER. Well, have you got an answer for it?

Mrs. LAVES. May I say, Senator, that I think that this line of questioning, I am delighted to cooperate, but I would like to say that it seems to me that the questions you are raising illustrate precisely the point I was trying to make, that we cannot consider our trade legislation in a vacuum as a single piece of legislation. That what I think we need at this point is a development of a consistent overall program based on much better information than any of us have including, I think, the Congress and the administration.

Senator JENNER. Certainly you need more information than what you have presented because you have demonstrated clearly to me you presented a statement here to this committee and you do not even know the essential facts.

What percent of our trade goes to export trade, goes to North America and South America and those are essential facts if we are talking about an overall trade policy and I don't want any lectures from you about an overall trade policy when you do not know the facts.

Mrs. LAVES. No. You see, the testimony I am presenting is simply in favor of the renewal of the act that we now have that makes it possible to negotiate trade agreements with other countries.

We are saying simply we regard this as essential.

Senator JENNER. Where does the responsibility for an overall trade act lie, with the executive or with the Congress?

Mrs. LAVES. I would say it is a joint responsibility; wouldn't you?

Senator JENNER. What does the Constitution say about it; do you know?

Mrs. LAVES. My impression is that it is the joint responsibility.

Senator JENNER. That is all the questions I have, Mr. Chairman.

Senator ANDERSON. Senator Long?

Senator LONG. I did not hear the presentation of your written statement, but did you go into the question of the relative cost of production of an American producer as against a foreign producer?

Mrs. LAVES. No; I did not go into that.

Senator ANDERSON. Mrs. Laves was speaking for the League of Women Voters mainly, urging the continuation of the act for 5 years, expressing their doubt as to the desirability of going to the 1934 instead of the 1945 and also questioning the effectiveness of the escape clause.

Mrs. LAVES. Yes.

Senator LONG. I am concerned with the way in which our technical and economic aid makes it possible for foreign nations to produce goods more cheaply than producers in the United States.

This is a problem in the textile industry at the present time and could become a problem in other industries.

The Japanese are very able people, and, if you show them how to do something, they can do it as well as you can.

Many other people in the world resemble the Japanese in this respect. We helped them rebuild their economy, and gave them loans. Men in our textile industry showed them how to use our machinery, and we enabled the Japanese to have the same equipment as we have through loans or by direct purchases by or for them.

Mrs. LAVES. Yes.

Senator LONG. Their labor is almost as efficient as ours, yet costs much less than ours. They use the same techniques that we do and receive cotton at a lower price than our manufacturers because of our section 480. We further subsidize them through loans and gifts.

Thus, the Japanese can produce cotton goods more inexpensively than we can in America.

A similar situation could arise in other industries if we continue our present policy.

What is your opinion of a situation that allows a foreign producer to produce goods at a lower cost than an American producer partly because of our policies?

I do not regard the situation as serious when true of one industry, but I wonder about it when true of many.

Mrs. LAVES. If I may say so, I think this is an illustration of a situation in which you have to look at the overall interests of the United States in contrast with simply the interest of the one producing industry that is involved, and I think that the illustration of Japan is an extremely good one because I think no country is more important to the overall welfare of the United States than Japan.

I think that Japan, occupying, as it does, a key position in our whole strategic setup, occupying the important position it does in relation to the Asiatic countries, that we hope to hold to the free world, is of extraordinarily great importance to our welfare as a whole.

So that it might be, we would conclude that we could take a loss in the price level of the products with which they are competing, in which they are competing, in the interests of the overall welfare of the United States strategically, economically, and politically.

Now, this raises a serious question, as you point out, and the question, I think, is who bears the cost of this thing that we have to buy at the expense of one industry, and I think that this is one of the questions that is now taking a great amount of thought on the part of many people.

I think illustrations of it are several bills that are pending before your committee for measures to assist in the readjustment of industries where the competition becomes heavy and where the results bear unfairly upon one industry as over against the total United States economy.

I think the only point we want to make clear is that we insist that the whole welfare of the United States must be considered in each of these cases rather than simply the effect upon the industry, and I would like to point out also that it is not only we of the general public who will suffer if we lost Japan to the free world but the textile peoples themselves are going to suffer because their sons are going to be involved in a war just as much as those of people who are not affected directly.

Senator LONG. But you do see my point.

Mrs. LAVES. Yes, I do see it.

Senator LONG. It is one thing for us to help friends abroad so that they completely displace American produce in the world market and cause us to lose our export trade in a particular commodity.

It is another thing to subject an American businessman to the prospect of the failure of his business or industry as a result of the foreign policy which is supported by his taxes.

When a foreign producer is able to undersell him, he may be able to protect his investments by certain changes in his operations. But he may be driven out of business if he is given no protection.

Japan has voluntarily limited its exports to this country, but it is not compelled to do so. For this reason, many Americans would like the Congress to make a study every few years of the effect of the importation of Japanese goods upon our industries. I assume that you favor some protection for an American industry that cannot compete with low-cost foreign imports, at least for a period of time sufficient for this industry to close down.

Mrs. LAVES. I think we would favor efforts to make possible as easy an adjustment as could be managed.

Now, I think there is one other factor I would like to add to my answer to this question and that is that I think we also must take into consideration the people who will be helped in this country, the industries that will be helped by the development of a greater purchasing power within Japan and greater ability of the Japanese economy to absorb imports from the United States.

I think we must put this also into balance, don't you?

Senator LONG. Yes, I certainly think it should be considered.

Thank you very much.

Senator ANDERSON. Senator Martin?

Senator MARTIN. Mr. Chairman, I appreciate the opportunity of questioning this distinguished witness and I want to say we appreciate greatly having people like this who are interested enough in our Government to come down here and testify, and I have no questions.

Mrs. LAVES. Thank you, sir.

Senator ANDERSON. Senator Williams?

Senator WILLIAMS. I have no questions.

Senator ANDERSON. Senator Malone?

Senator MALONE. I just had a copy of your statement.

Senator ANDERSON. Would you rather have Senator Carlson go ahead while you have a chance to read it?

Senator MALONE. You are the director of the League of Women Voters?

Mrs. LAVES. I am only one director.

Senator MALONE. How many do they have?

Mrs. LAVES. Fourteen—officers and directors.

Senator MALONE. How are they chosen, by region?

Mrs. LAVES. No; not by region. Some of them are elected and others are appointed.

Senator MALONE. Would you furnish a list of your directors to the committee?

Mrs. LAVES. Yes; I would be glad to. I am sorry; I included the officers as well as the directors. They are all members of the board. Of the national board.

Senator MALONE. You say you have included them?

Mrs. LAVES. No; I will include them if you would like.

Senator MALONE. Then do you have a head of the League of Women Voters in each State?

Mrs. LAVES. A president of each State league; that is right.

Senator MALONE. Then they have officers, do they?

Mrs. LAVES. That is correct. They do.

Senator MALONE. Could you furnish a list of the presidents of each of the States and the officers as far as you know to the committee?

Mrs. LAVES. We would be very happy to do so.

Senator MALONE. I note you say that for 20 years the League of Women Voters has supported the principles of expanding world trade as embodied in the Trade Agreements Act, GATT, and the proposed organization for trade cooperation.

GATT—by that I suppose you mean the General Agreement on Tariffs and Trade?

Mrs. LAVES. Yes.

Senator MALONE. I am very much interested in your organization, Mrs. Laves.

Mrs. LAVES. Thank you.

Senator MALONE. As a director, are you one of the directors that stay in Washington?

Mrs. LAVES. No.

Senator MALONE. Where do you live?

Mrs. LAVES. I live in Bloomington, Ind.

Senator MALONE. Who are your representatives here?

Mrs. LAVES. The representatives who are resident in Washington?

Senator MALONE. Well, the ones who are either a secretary or a president or legislative representatives?

Mrs. LAVES. The president is Mrs. Robert J. Phillips, of Illinois—St. Charles, Ill.

Senator MALONE. She lives in Illinois?

Mrs. LAVES. She lives in Illinois. She comes to Washington at intervals.

She has just been elected, so the schedule has not been worked out.

Senator MALONE. Who was your president last year then and how long do they hold office?

Mrs. LAVES. Mrs. John G. Lee was the president, had been president up until last April, the end of April, and she had been president of the league for 8 years.

She comes from Farmington, Conn.

Senator MALONE. Do you have 1,000 local leagues in all 48 States?

Mrs. LAVES. That is right.

Senator MALONE. That is quite a lot of league, isn't it?

Mrs. LAVES. It is indeed.

Senator MALONE. How many leagues do you have in a State like Nevada where I am from?

Mrs. LAVES. I do not know the exact number. We have a number of local leagues.

Senator MALONE. Would you, as a part of the information you are about to furnish the committee, include all of the leagues located in our State of Nevada?

Mrs. LAVES. Yes; I would be delighted to.

Senator MALONE. I would not ask you for all of them as it would take up too much space.

Mrs. LAVES. We would be delighted to.

Most of them are very new.

(The information is as follows):

Local leagues in Nevada: Carson City, Elko, Reno, Wells.

LEAGUE OF WOMEN VOTERS OF THE UNITED STATES, WASHINGTON, D. C.

OFFICERS AND DIRECTORS, 1958–60

OFFICERS

President: Mrs. Robert J. Phillips, Baker Hotel, St. Charles, Ill.
First vice president: Mrs. John F. Latimer. 3601 Connecticut Avenue, NW., Washington, D. C.
Second vice president: Mrs. Alf Gunderson, 133 South 14th Street, La Crosse, Wis.
Secretary: Mrs. Leon K. Richards, 7301 Westover Road, Waco, Tex.
Treasurer: Mrs. Donald F. Bishop, 306 South Smedley Street, Philadelphia Pa.

DIRECTORS

Mrs. John Briscoe, Silent Meadow Farm, Lakeville, Conn.
Mrs. George A. Dreyfous, 1228 Conery Street, New Orleans, La.
Mrs. Paul Holmer, 14 Rancheria, Kentfield, Calif.
Mrs. Tor Hylbom, 120 Cresta Road, Colorado Springs, Colo.
Mrs. Walter H. C. Laves, 701 South Ballantine Road, Bloomington, Ind.
Mrs. Luigi Petrullo, 2431 North Edgewood, Arlington, Va.
Miss Barbara Stuhler, 13' Warwick Avenue SE., Minneapolis, Minn.
Mrs. Alexander A. Treuhaft, 18600 Shaker Boulevard, Shaker Heights, Ohio.
Mrs. Arthur E. Whittemore, 189 Gardner Street, Hingham, Mass.

PRESIDENTS OF STATE LEAGUES

Alabama: Mrs. I. Berman, 2124 Allendale Road, Montgomery, Ala.
Arizona: Mrs. Louis Hirsch, Route 5, Box 362, Tucson, Ariz.
Arkansas: Mrs. LeMon Clark, Rockwood Trail, Fayetteville, Ark.
California: Mrs. Robert L. Zurbach, 120 South Euclid, Pasadena, Calif.
Colorado: Mrs. E. P. Swerdfeger, 1545 Tremont Place, Denver, Colo.
Connecticut: Mrs. Lincoln R. Young, 404 Farmington Avenue, Hartford, Conn.
Delaware: Mrs. Samuel Handloff, 4 Kent Way, Newark, Del.
District of Columbia: Mrs. Milton Dunn, 1822 Massachusetts Avenue NW., Washington, D. C.
Florida: Mrs. Melville K. Gill, 10 Lagoda Avenue, Davis Island, Tampa, Fla.
Georgia: Mrs. Edward M. Vinson, 217–18 Rhodes Building, 78 Marietta Street, Atlanta, Ga.
Idaho: Mrs. James Gundersen, 1703 Amity, Mounted Route, Nampa, Idaho.
Illinois: Mrs. Harper Andrews, room 2104–5, 59 East Madison Street, Chicago, Ill.
Indiana: Mrs. John A. Campbell, 505 Illinois Building, Indianapolis, Ind.
Iowa: Mrs. George Norris, 1402 Fourth Avenue, Grinnell, Iowa.
Kansas: Mrs. L. E. Anderson, 1635 Alabama, Lawrence, Kans.
Kentucky: Mrs. James R. Shepherd, 2730 Harrison Street, Paducah, Ky.
Louisiana: Mrs. C. K. Moresi, Box 1105, Oil Center Station, Lafayette, La.
Maine: Mrs. Julian H. Orr, 152 Prospect Street, Portland, Maine.
Maryland: Mrs. William H. Wood, 4216 56th Avenue, Bladensburg, Md.
Massachusetts: Mrs. Hugh McKinstry, 3 Joy Street, Boston, Mass.
Michigan: Mrs. Berrien C. Ketchum, room 506, Garfield Building, 4612 Woodward Avenue, Detroit, Mich.

Minnesota: Mrs. O. H. Anderson, University of Minnesota, 15th and Washington Avenue SE., Minneapolis, Minn.
Mississippi: Mrs. Clara S. Williams, 3703 Ridgewood Road, Natchez, Miss.
Missouri: Mrs. Robert E. Seiler, 6640A Delmar Boulevard, University City, Mo.
Montana: Mrs. Howard R. Jones, 104 Agnes Avenue, Missoula, Mont.
Nebraska: Mrs. Dewey F. Gruenhagen, 3540 South 31st Street, Lincoln, Nebr.
Nevada: Mrs. Dale Reynolds, 437 Pine Street, Elko, Nev.
New Hampshire: Mrs. Elbridge Stoneham, Elm Street, Exeter, N. H.
New Jersey: Mrs. Charles Kellers, 20 Fulton Street, Newark, N. J.
New Mexico: Mrs. Verle R. Seed, 624 Cedar Street NE., Albuquerque, N. Mex.
New York: Mrs. Harry Lea, 461 Fourth Avenue, New York, N. Y.
North Carolina: Mrs. Neal Austin, Post Office Box 1806, High Point, N. C.
North Dakota: Mrs. Lawrence Summers, 611 Oak Street, Grand Forks, N. Dak.
Ohio: Mrs. Griffith L. Resor, Jr., Post Office Box 63, Madeira, Cincinnati, Ohio.
Oklahoma: Mrs. William S. Morgan, Building 1001, North Campus, Norman, Okla.
Oregon: Mrs. Charles Ford, 110 East Broadway, Eugene, Oreg.
Pennsylvania: Mrs. Norman F. Patton, Town Hall Building, Wilkes-Barre, Pa.
Rhode Island: Mrs. Horton Quinn, Boston Neck Road, Narragansett, R. I.
South Carolina: Mrs. C. Smith Toms, 69 Church Street, Charleston, S. C.
South Dakota: Mrs. Clarence Stekl, 2305 West 18th Street, Sioux Falls, S. Dak.
Tennessee: Mrs. R. K. Browning, 119 Tucker Road, Oak Ridge, Tenn.
Texas: Mrs. Horton Wayne Smith, 1007 West 24th Street, Austin, Tex.
Utah: Mrs. Roger Bailey, 180 C North State Street, Salt Lake City, Utah
Vermont: Mrs. Clarence Howard, 134 Monument Avenue, Bennington, Vt.
Virginia: Mrs. Albert E. Farwell, Box 188, Route No. 2, Vienna, Va.
Washington: Mrs. Robert J. Stuart, 608 Realty Building, Spokane, Wash.
West Virginia: Mrs. J. N. Compton, 1401 Summit Drive, Charleston, W. Va.
Wisconsin: Mrs. R. H. Wenberg, office, 110 East Washington Avenue, Madison, Wis.; residence, 3251 North 50th Street, Milwaukee, Wis.
Wyoming: Mrs. Raymond R. Jones, 919 Fox Farm Road, Cheyenne, Wyo.

Senator MALONE. Nevada has just joined the Union, as far as the League of Women Voters are concerned. It is a fine State. I hope you will visit it.

Mrs. LAVES. It is a fine State.

Senator MALONE. Have you visited Nevada?

Mrs. LAVES. I have not.

Senator MALONE. You should visit it. I want to ask you some questions because I know that you want to be accurate and I know that your league does, because you have some of the finest women in the world belonging to the League of Women Voters. I remember that it was not too long ago when they first allowed the women to vote, and you do have an amendment to the Constitution proposed here for equal rights, do you not?

Mrs. LAVES. I believe so.

Senator MALONE. The League of Women Voters is, generally, for that amendment?

Mrs. LAVES. No; the league has not taken a position of support for the equal-rights amendment.

Senator MALONE. It just stays away from——

Mrs. LAVES. We do not oppose it. We do not think it gets at the basic problems that we are concerned with.

Senator MALONE. What are these basic problems?

Mrs. LAVES. I think that the basic—the one single, basic objective of the League of Women Voters is to promote citizen responsibility through informed and active participation of citizens in government.

This is the way our bylaws state it, Senator. The thing we are most concerned about is that not only women, but men citizens, as well, citizens generally, should participate in this democratic form of government we have so that it can really become an effective form of government.

Senator MALONE. I know you want to be accurate, and I do not want to take too much time here, there are other Senators, but would it interest you if I told you that we did not have a democratic form of government?

Mrs. LAVES. That we do not have?

Senator MALONE. We have a democracy, which is a theory of government, but, if you read some of the background, also the Constitution, the Constitution talks about a republican, representative form of government; don't you remember?

Mrs. LAVES. Yes.

Senator MALONE. And when they asked Ben Franklin about it in 1789, they called him out of Independence Hall and said, "What have you given us?"

He said, "We have given you a republican, representative form of government, if you can keep it."

You remember that?

Mrs. LAVES. I do.

Senator MALONE. So a democratic form of government is like an Indian tribe where everybody votes on every question, and we have a good many Indian tribes in Nevada.

Mrs. LAVES. I had assumed, Senator, that there were many forms of government that could be called democratic just as there are other forms of government that may be called autocratic, but that to say that a form of government is democratic simply means that basically the control of the government is in the hands of the governed.

But I am sorry if I have misused the term.

Senator MALONE. The dictionary does separate it. There has been a good deal of propaganda to the effect that we have a democratic form of government but the Constitution says we have a republican representative form of government because you represent people for a certain length of time and then consult everybody you can, I suppose, most of us do, and then you listen to the evidence, do your research, and vote your convictions. Then you go home and tell the folks how you voted and why, and then every so often you are the final word in an election.

Mrs. LAVES. I would call that democratic but I would not want to quarrel with you.

Senator MALONE. That is not so. It is a republican representative form of government. I think the correction should be made for the record.

Mrs. LAVES. Thank you.

Senator MALONE. I want to ask you a few questions if you know, because sometimes people do not have all of the information.

Do you know that under the 1934 Trade Agreements Act the President, or the State Department as his representative, and Mr. Dulles so testified, can in all of these negotiations trade a part or all of any industry in the United States to foreign nations if he believes it will further his foreign policy?

Do you know that?

Mrs. LAVES. Would you mind repeating that again, I am not sure I caught the first part of your statement.

Senator MALONE. In cross-examination of Mr. Dulles on Saturday 21st he said that the State Department is the representative of the President of the United States, the spearhead, of a policy committee made up of several Cabinet officers, who agree on a general policy of what they are going to consider. Then he is the spearhead in the bilateral trade agreement and the multilateral agreement at Geneva.

Mr. Dulles himself has never attended one of these sessions, I am informed, but he does have a representative there to sit in with 36 competitive foreign nations in multilateral trade agreements.

My question was, that regardless of any peril point established by the Tariff Commission, which I will go into in a minute, the President may disregard it, and may trade any part or all of any industry in the United States to a foreign nation or foreign nations if he believes it will further his foreign policy.

Do you believe that is a good policy?

Mrs. LAVES. He may trade it to any foreign nation?

What do you mean by that?

Senator MALONE. He may leave the tariff lower than the difference in the wage standard of living and the cost of doing business here and the chief competing nations, which means, of course, that their products will come in and displace American products.

So in short, you can just say we are trading it for a foreign policy. He has that authority under this act.

Do you believe that he should have that authority?

Mrs. LAVES. Well, it seems to me, that if by this you mean that the President will have in his power the ability to determine a tariff level in terms of the overall foreign policy of the United States——

Senator MALONE. That is right.

Mrs. LAVES. Is that what you have in mind?

Senator MALONE. It means he can trade the crockery industry or any part of it, to the chief competing nations in that field, if he believes that it will benefit further his overall foreign policy.

Mrs. LAVES. The overall foreign policy of the United States?

Senator MALONE. That is right; as fixed by him according to the Constitution or by Mr. Dulles, his agent.

Mrs. LAVES. It seems to me I would not agree to the description you give of the result of a policy of lowering the tariff.

Senator MALONE. Would you describe in your words——

Mrs. LAVES. I would describe it as opening to the industries of the other countries freer competition without industries.

Now to say this means selling out our industry to another country, implies that our industries cannot compete with the other industries, that they have to be given a crutch to make it possible for them to compete at all.

I would say that what the act would do would make it possible for the President to eliminate the artificial assistance that our Nation gives to our industry in the interests of an overall foreign policy that is determined, after all, on the basis of the best judgment as to what is good for the whole Nation.

With that amendment, I would accept what you have said.

Senator MALONE. I think you have done very well.

I guess I will have to start a little further back because maybe I have been in this business longer than you have. I do not mean that you should conclude as I have but I want to give you the background.

For 150 years as a nation, we had a general policy as set down in article I, section 8 of the Constitution of fixing that duty or tariff on a basis of equalization, making it the difference between effective wages and the cost of doing business here and in the chief competing country, meaning then that whenever you could compete with other Americans you were in business.

Now that was the general policy up to 1934. If they paid $2 a day for labor somewhere else or if they paid 50 cents a day or 20 cents an hour, as they do in Japan, then any product in which Japan was the chief competing nation the tariff or duty would represent that difference.

That merely kept you in business on your standard of living here. You understood that?

Mrs. LAVES. Yes.

Senator MALONE. Now the policy was changed in 1934 so that the President does have that authority referred to; do you think that is good?

Mrs. LAVES. Yes.

Senator MALONE. Do you know that the 36 competitive foreign nations that sit in Geneva with our State Department, so testified to by Mr. Dulles, making 37 nations including the United States, each with 1 vote, do you know that under the rules and regulations of GATT under which the trade agreements are made these foreign nations do not need to keep their part of the trade agreements as long as they can show their dollar balance payments are short?

Meaning that in their trade, if they are short of dollars in their balances of dollars payments, they do not need to keep their part of the agreement. Do you know that?

Mrs. LAVES. That is they may raise their tariff levels against us?

Senator MALONE. Well, yes; it results in that. But let us say that they agree to a regularly made, multilateral trade agreement (and then, of course, we have other provisions that I will reach later). When they sign an agreement to lower their tariffs on certain things, and that includes any agreements lowering our tariffs on certain things, we must keep our agreement but they do not need to keep theirs as long as they can show that they are short of dollar balance payments.

Mrs. LAVES. Of course, do we not also have escape-clause provisions?

Senator MALONE. We have, but nothing like that.

Mrs. LAVES. Which permit our breaking our agreement or invalidating our agreement?

Senator MALONE. I will get to the escape clause. It has nothing to do with what I asked you, did you know that?

Mrs. LAVES. No; I did not know that.

Senator ANDERSON. I do not believe an escape clause breaks any agreement.

Senator MALONE. It does not have anything to do with my question.

Mrs. LAVES. I don't believe I said that an escape clause——

Senator MALONE. I will come to that——

Senator ANDERSON. Go ahead.

Senator MALONE. What it means then is that the President can lower the tariffs below that differential in costs of production, meaning that you either would have to lower your wages here or taxes or something to reach their level or you would lose at least a percentage of the business, and if you lowered them enough, you would lose practically all of the business; would you not? You could see that.

Mrs. LAVES. However, you might increase your business in other segments of our economy as a result of the concessions that are given us by other countries.

This is the side of the thing that I think is so often overlooked.

Senator MALONE. No; it is not overlooked, I will come to it.

Mrs. LAVES. Reducing of tariffs is not a one-sided thing but two-sided.

Senator MALONE. Very good.

But remember what I told you. They do not need to keep their part of the trade agreements act as long as they are short of the dollar balance.

If you will check that, and find it erroneous, communicate with the chairman and send me a copy of the letter.

You will do that?

Mrs. LAVES. Yes.

Senator MALONE. They do not have to keep their part of the agreement. And you can see that if our tariffs were reduced or are reduced through inflation—and I know you understand that when you have inflation, say a dollar is worth 50 cents now, they say 48 cents, I think it is worth about 35—that any fixed tariff is reduced in proportion to the inflation.

You understand that?

Mrs. LAVES. Yes.

Senator MALONE. You do understand that.

Then all fixed tariffs have been reduced in that proportion; have they not?

Mrs. LAVES. I would take your word for it.

Senator MALONE. Well, I would not want you to do that.

I would want you to check it because I have never found that you women have a lack of understanding.

You sometimes have a lack of research and maybe some of the information has not reached you but once it reaches you, you understand it just as well as anybody.

Mrs. LAVES. Could I ask you to explain to me the bearing of this upon the question of the renewal of the act?

Senator MALONE. Yes.

The fact is that they do not have to keep their trade agreements, and they are not keeping them. Every nation in the world but us is not keeping them. All but 2 or 3 manipulate their money value in terms of the dollar for trade purposes. All they have to do, if they want to keep a certain product out of, we will say Bolivia, all they have to do is to raise the value of the money in terms of the dollar, and it becomes uncompetitive. So they do that through a simple executive order. It is all in the hands of the Executive.

They do not have to go to Congress like they do here in order to change the value of the dollar. So you can see that if they raise the value of their money, their pesos, in terms of the dollar then you take the profit out of the trade and nothing would come in, you can see that.

Mrs. LAVES. May I suggest that it seems to me——

Senator MALONE. Practically all nations do that.

Mrs. LAVES. That this kind of manipulation might be a suitable subject for the discussions that go on under the General Agreement on Tariffs and Trade as to fair trade practices, fair practices in trade agreements between countries.

I understand that is one of the functions for which the general agreement was set up, to make it possible for nations to discuss and agree upon fair practices in relation to other nations and in relation to their agreements.

Is this not the case?

Senator MALONE. Well, on the contrary—contrary to that impression.

Mrs. LAVES. This makes it more important.

Senator MALONE. Contrary to the information which may have reached your organization, the General Agreement on Tariffs and Trade makes the rules making it possible to evade the whole trade agreement as I have explained to you and the rules have not been changed.

Mr. Dulles justified it Saturday; it is in the record, and it probably will be printed before long and I hope you will get a copy of it.

Mrs. LAVES. I shall certainly do so.

Senator MALONE. By simply saying if a nation was short of a dollar balance why they naturally let them out of an agreement until such time as they can do that without impairing, I think the words he used "without impairing their standing in the community financially."

What I am trying to do is establish and have you understand that these are the facts. I am not arguing about whether they should be changed at the moment.

Of course, I think they should. But under the Tariff Act of 1930, to which we would revert almost immediately (within 60 days' notice for the multilateral agreements and 6 months for the bilateral) the Tariff Commission would take into account all of these manipulations in determining what the duty or tariff ought to be in order to take the profit out of the low wages or such manipulation. It is a flexible thing, don't you see. They could change it every day, every 6 months, or every 6 years, whenever the relationship between two nations economically changes; did you know that?

Mrs. LAVES. Yes; I did not know that.

Senator MALONE. Do you think it is better to have a peril point as provided here, which at the moment would be the evener between the two nations to which the President does not have to agree, and can lower it regardless of that peril point, and even if he took the peril point, the next day any nation could manipulate its currency in value in reference to the dollar and obviate the peril point? You could see that; couldn't you?

Mrs. LAVES. Yes.

Senator MALONE. Well, now there is no way of correcting that trade agreement except through the escape clause and no one of any consequence has ever escaped.

I think the testimony here will show that there have been 3 or 4 like clothespins. They made little difference in the overall industrial picture but were important locally—but they did not escape far enough to keep the industry going.

You knew there had been very few escapes in industry?

Mrs. LAVES. Yes, I know that.

Senator MALONE. Quite a few applications, but few escapes.

Now, I will have to learn how to pronounce your name—Laves?

Mrs. LAVES. That is right.

Senator MALONE. I have got it; what is your first name—it is Mrs. Walter——

Mrs. LAVES. Mrs. Walter Laves.

Senator MALONE. What is your first name?

Mrs. LAVES. Ruth Laves.

Senator MALONE. I could remember that because my wife's name is Ruth.

Mrs. LAVES. That helps.

Senator MALONE. If those two things are correct—and I hope you check me in the record of the testimony of both Mr. Weeks and Mr. Dulles—what it actually means is a division of the wealth of this Nation. There are about $70 billion of the taxpayers which have been given to the foreign nations since World War II to buy our goods or to build plants to compete with us, to build up dollar balances. I am not going into that with you because the investigation of the economic structure of this country has been going on by this committee for some time and those transcripts are being printed and are available to you at the Government Printing Office.

But in addition to other things, they build up enough dollar balances with the folding money we give them with which they can buy gold if they are converted to national foreign nations balances, that if all of the credits were presented here we would have about $5,700 million worth of gold left out of the 22.4 billion currently on our depositories.

That was testified to by Mr. Martin, who is the Director of the Federal Reserve Board.

Were you aware of that?

Mrs. LAVES. No.

Senator MALONE. They do a good many things in manipulation, so it really means a division of wealth and a leveling of living standards. Today, and this I would like you to investigate, we are living pretty much on a war economy—40 billion a year to buy goods all over the country.

Now next year I think it will be nearer to 50.

We are going to try to put a little zip into this economy by spending more taxpayers' money.

Now, all of this has been justified before the public. There has been a tremendous propaganda campaign going on, I guess you are aware of that, that this will destroy us if we do not renew the Reciprocal Trade Act although it was never called that by law, and the Congress has never agreed on the International Trade Organization or on the OTC, Office of Trade Cooperation.

Mrs. LAVES. That is right.

Senator MALONE. Which would approve it.

Congress always balked at approving it.

You know that?

Mrs. LAVES. Yes, I do know that.

Senator MALONE. I want you to be sure you are for it after you study this record.

Now, what was that policy for the overall general picture?

Why do you girls think it is such a terrific thing?

Is it to keep out of war?

Mrs. LAVES. I think that is an element in the picture, Senator. But I think that a great deal more is involved in it than that.

Senator MALONE. I am sure of it but I want you to understand at least know some of the answers of this thing before you go too far with it.

Mrs. LAVES. May I say that I think our conviction really is that it is no longer possible for the United States to exist as a closed-in unit economically or in any other way.

That though this may have been possible in the 19th century, I do not think it really was so then because I think we depended very heavily upon investment from Great Britain, from other countries, and I think we always have relied on other countries.

I think that the position we take is this:

That the interest of the United States requires, above everything else, the existence of friends among other nations. That if we are to maintain our way of life we must do it not by regarding other countries as our enemies, as out to get us, as out somehow to destroy us by everything they do.

That we do not think we can operate and continue to exist on the basis of suspicion of all peoples in the world.

I think there are people against whom we must guard, but I think that our basic interest requires the building up of a world of cooperating friends and I think that the Trade Agreements Act is a step in that direction.

I think that we must consider the interests of the Japanese blouse manufacturer as well as the American textile manufacturer, of the Danish clothespin maker as well as the Vermont clothespin maker.

I think in some respects they are just as important for the total welfare of me and my children as the people in our own country. I recognize this is a concept that many people do not accept and many people believe we can exist within our barriers, within our boundaries, keep out goods that would compete against our industries, and live a satisfactory life among ourselves.

We just do not believe it is possible in the 20th century, and we do not think it is ever going to be possible again, if it ever was.

Therefore, we think that we must, perforce, regard other free peoples as potential friends and potential partners in an economic world, and not as enemies, and that we must proceed to build, in cooperation with them, the kind of a world economy that can be to the benefit of all of us rather than to try to keep a system in which we are fighting each other, in which we are enemies.

We cannot be enemies with all the world.

We must maintain a world of friendly nations with which we cooperate just as you in Nevada and we in Indiana cooperate, just as we build an economy jointly that is to the welfare of all of us in the United States.

I think that I must state this as the basic foundation upon which all of our positions are built.

Now we may make a mistake sometimes in deciding which policies will best promote this kind of a world.

But I think that the error is not in the basic assumption upon which we proceed but in our interpretation of what will promote this kind of a free world.

Do I make myself clear on that?

Senator MALONE. You really do.

Mrs. LAVES. Good.

Senator MALONE. I love you for it. I think it is the ideal of the world, and I think it is my ideal, as it is everyone else's.

I am a free trader. That would be a funny thing to tell you, but there is a different way of reaching free trade.

What you are saying now is that you are just as much for the Danish textiles and Japanese textiles as you are for American textiles on the theory that we would keep friends in that way, isn't that it?

Mrs. LAVES. It is on the theory that they are important for the creation in the future of the kind of a world in which we can continue our way of life.

Senator MALONE. I think it is one of the finest idealistic speeches I have ever heard.

Mrs. LAVES. Of course we think it is realistic. We do not think it is idealistic.

Senator MALONE. I hope you retain those ideals but I do want to say this to you: If you knew that there was a way of being a good neighbor, as we were for 150 years and our basic law is that way now—we only made this transfer of the constitutional responsibility of Congress to trade these industries away in 1934 as an emergency for 3 years, and it has been extended 10 times, now it is up for the 11th time, you know all of that, don't you? Then if I told you—and many people make the mistake of saying this—the propaganda started, I think, that we are taking the place of Great Britain in trying to hold the world together.

Mrs. LAVES. I never heard that.

Senator MALONE. Great Britain, if you would read a little history—and I am very fond of them—I think they are smarter than we are——

Mrs. LAVES. I would doubt that.

Senator MALONE. I do not think they are really smarter, but they are living on their nerve and they have to be smart. They have lived on foreign trade all their lives, and forced most of it.

We were the first of the colonials to break away.

They still have their colonials to a certain extent, but the colonial system is dead—dead as Julius Caesar.

They used to just throw a little grapeshot over the jungles in Malaya when they had an uprising.

I would not expect you to remember that far back.

I do go that far back.

Mrs. LAVES. So do I, Senator.

Senator MALONE. And they never made an investment in their lives that they did not expect to make a profit out of it.

When they had us as a colonial, the reason we broke away was not only because of the Boston Tea Party. That was just the straw that broke the camel's back. They would not let us build manufacturing and processing plants. They bought the stuff from us as cheap as they could and then brought back the finished product and sold it for what the traffic could bear.

They made money all over the world and grew, but when the airplane dominated the British fleet during World War II—there and then the colonial system died. They have been living on nerve ever since then.

But the contrast is that we go in and give our money away, give our markets away. Great Britain never did that.

Senator ANDERSON. I would just like to remind the Senator from Nevada we did have a limit of 20 minutes.

Senator MALONE. Give me about 5 minutes more and I would appreciate it. I think this is one of the most important witnesses you are going to have, Mr. Chairman, and I think the women of this Nation are entitled to know the few things that you and I have discussed this morning, and I am sure you are going to let them know.

Would it interest you to know that the Constitution of the United States—and I know you know this, if you would just remember—pointedly separates the regulation of the national economy from the fixing of foreign policy.

You do know that. It puts the first in the Congress, the legislative branch, in article I, section 8, and the second in the Executive, in article II, section 2. It says specifically that the Congress shall—it does not say "maybe"—lay and collect the duties, imposts, and excises, what we call tariffs, and regulate the foreign trade—that means the national economy.

But in 1934 the Congress of the United States transferred that constitutional authority by the 1934 Trade Agreements Act. To make it palatable to the American people they named it "reciprocal trade," because nearly everybody is for reciprocity. But there is none in this.

And now it would be just as legal to pass an act in Congress tomorrow to transfer the fixing of foreign policy to the legislative branch as to transfer article I, section 8, from the legislative branch to the Executive; would you not think so?

Mrs. LAVES. I do not know the constitutional provisions for making such changes, but I would think this power which was given the Executive to negotiate the trade agreements was a deliberate and voluntary delegation of power, was it not, by Congress?

Senator MALONE. I do not think so.

Mrs. LAVES. This is why this comes up for renewal at intervals.

Senator MALONE. If you will look up the record of Congress in 1934, I do not think there was very much voluntary on the part of the Congress. They just scared the hell out of them, is what they did.

Mrs. LAVES. They are trying to keep them scared.

Senator MALONE. Well, some are not so scared now, but they will be more so soon with the scary information coming from the folks. I just want to ask you this——

Mrs. LAVES. Yes.

Senator MALONE. We have three branches of Government. George Washington said if the distribution of powers were found to be in any way wrong, and I will quote exactly for the record, that it should be corrected in a way set down in the Constitution by amendment to the Constitution and not to be evaded because in some instances it might be for the immediate good because that is a customary method by which free governments are destroyed.

Do you remember him saying that? Have you ever seen it? Would you not agree that that would be the best thing: to amend the Constitution of the United States if we really believed that the President should have this power?

Mrs. LAVES. I think if the Congress wishes to delegate by legislation any authority it has, it has the right to do so, and there might be circumstances under which this would be a better way than amending the Constitution.

Senator MALONE. Well, it is probably the only way, because if someone ever introduced an amendment to the Constitution to give the President these powers, they would probably shoot him.

You know, Lincoln said something which there has been a quotation about a number of times. He said if this Government is ever destroyed, it will not be from without but it will be from within, and we are on a grandiose international Socialist program now.

So I will not take any more time of the committee, but I would like to sum up what we have said for the record so that when it is printed—and I know you would want to be accurate in the reports you send out—I would like to make a part of the record here that we have, they say, 4½ million employed on foreign trade. You have heard that.

Mrs. LAVES. Yes, I have heard that figure.

Senator MALONE. There is a table in the record when I questioned Mr. Dulles which shows that, when you subtract all the subsidies and all the gifts, we are exporting a less percentage of our exportable goods today than we did in 1934 when we passed the act, and we are remaking the industrial map of the United States in the process.

I ask that there be included in the record at this point an editorial from the Reno Evening Gazette entitled, "Another Free-Trade Victim," which goes on to say that the last tungsten is being mined in Nevada. They had 139 of them that went out of business. And the crockery is gone, they have gone out of business. The glass is going. Textiles are hurting terribly.

But without going into detail, we know—let us assume the whole 4½ million were unemployed if we did not extend this, and they would not because we would retain the profitable trade, which is all we want, in my opinion. But there are nearly 6 million boys on the streets today, by virtue of this act, and more are coming by election time and by next spring, if we renew it. I will just predict that to you.

(The article referred to follows:)

[Reno Evening Gazette, June 19, 1958]

ANOTHER FREE-TRADE VICTIM

Victim of the free-trade policy fastened on this country by the New Deal and continued by the present administration, one of Nevada's largest industrial operations is ending. The Nevada-Massachusetts Co., oldest and one of the largest producers of tungesten in the United States, is closing down its mining and milling operations on June 30.

As recently as 2 years ago, there were 139 tungsten-producing properties in Nevada. Nevada-Massachusetts is the only one left, and it has only a few days' life remaining. And Nevada, once the largest producer of tungsten in the United States, will not have a single mine or mill left.

The death of the Nevada tungsten industry was not caused by the petering out of the mines or of a lessening demand for the metal. Tungsten is still one of the most important elements for industrial use, and in time of war it ranks as one of the most strategic and critical materials of all.

The American market is loaded with tungsten, but it does not come from the mines and mills of this country. It is produced abroad, by low-paid labor, and, in many cases, by foreign industry that has been subsidized by loans and gifts from the United States Government.

Not only tungsten, but many other American metals, have been deprived of their rightful market. The United States mineral industry is in sorry state, thanks to a Government policy that puts foreign nations ahead of the United

States, and imposes a heavy burden on American taxpayers to continue a global giveaway.

Senator MALONE. I thank you, Mr. Chairman.

Senator LONG (presiding). Senator Carlson.

Senator CARLSON. Mr. Chairman, just this: Mrs. Laves, I appreciate your appearing here this morning on behalf of the 100,000 members of the League of Women Voters. You have a very fine unit in Kansas, a very fine organization. I know the officers and members, and it has been a pleasure to work with them, and I am glad you came in and expressed their views so forcibly and ably this morning.

Mrs. LAVES. Thank you very much.

Senator LONG. Thank you very much, Mrs. Laves.

The next witness is Miss Ann Meikle, speaking for the American Association of University Women.

STATEMENT OF ANN MEIKLE, LEGISLATIVE CHAIRMAN, PENNSYLVANIA DIVISION, AMERICAN ASSOCIATION OF UNIVERSITY WOMEN, ACCOMPANIED BY DOROTHY B. ROBINS, ASSOCIATE IN INTERNATIONAL RELATIONS, AMERICAN ASSOCIATION OF UNIVERSITY WOMEN

Miss MEIKLE. Mr. Chairman and members of the committee, I am Ann Meikle, of Harrisburg, Pa. I serve as the legislative chairman for the Pennsylvania division of the American Association of University Women.

Senator LONG. Excuse me, if I might interrupt for just a moment. I want to check on the other witnesses.

Is Mrs. Genevieve Oslund here in this room? Of the General Federation of Women's Clubs.

Not yet. Is Mr. Roy Blough, of the National Council of Churches, here?

Mr. BLOUGH. Yes, sir.

Senator LONG. Do you have a prepared statement?

Mr. BLOUGH. Yes, sir.

Senator LONG. Is Mr. Reuben Johnson here? Do you have copies of your statement?

Mr. JOHNSON. Yes, sir. Copies have been turned over to the clerk.

Senator LONG. Thank you very much. Will you proceed, Miss Meikle?

Miss MEIKLE. Thank you, Mr. Chairman.

The American Association of University Women wishes to express its appreciation for the opportunity to appear before this committee.

I am Miss Ann Meikle, of Harrisburg, Pa., and serve as the American Association of University Women legislative chairman for the State of Pennsylvania.

Our organization is composed of approximately 1,400 branches in the 48 States, the District of Columbia, Hawaii, Alaska, and Guam. Our membership numbers some 145,000 women. The AAUW, which came into being almost 76 years ago, in 1882, found its interest in foreign affairs crystallized by World War I when its study groups in international relations first were formed.

Throughout the subsequent 40 years, the purpose of these study groups has remained development of informed public opinion as a contribution toward building a healthy foreign policy for the United States.

Since 1934, when Secretary of State Cordell Hull first proposed reciprocal trade arrangements, the association has studied and endorsed this important concept of American foreign policy. It has as part of its legislative program consistently favored the renewal of the agreements.

We are here today to support H. R. 12591 under the following AAUW legislative program item unanimously voted at the AAUW biennial convention in June of last year in Boston.

This item reads:

> Support of a constructive foreign policy implemented by existing constitutional provisions and designed to develop conditions favorable to democracy, economic well-being, security, and peace throughout the world by working for such objectives as liberalizing world trade. * * *

Government witnesses have already appeared before this committee to give testimony about the technical functioning of the reciprocal trade program. As an education, consumer, and citizen association, we wish to emphasize the importance of the reciprocal trade agreement as an instrument of American foreign policy.

The phenomenal growth of the United States to a position of dominating economic as well as political and military power has thrust upon us the leadership of the free world. We believe that along with this leadership goes a major responsibility for the economic stabilization of the free world. We are impressed by the figures, provided by the First National Bank of Boston, which report on the United States as the world's greatest trading nation.

The bank reports that the value of our exports totaled $12 billion. Nearly 4½ million American families depend for their income directly upon world trade. With our remarkably high standard of living—the United States according to United Nations statistical studies for 1952 to 1954 shows a per capita national product of $1,870 for the United States by comparison with Britain at $780 and India at $60—we find ourselves simultaneously in a position of privilege and obligation.

We agree with the view that the decisions we make about United States economic policies serve in fact as decisions about the economic future and well-being of the rest of the world.

As this Committee knows even better than we do, the Communists are well aware of the value of using economic policies to accomplish their larger political and diplomatic purposes.

Recent news and reports warn us that they are moving increasingly into the foreign aid and economic development field, distorting that fundamentally American concept personified by the Marshall plan in order to bind selected areas into the economic web of the Soviet orbit. Further, they have increased their trade with the less developed areas of the world to $1.4 billion in 1956, an increase of 27 percent over 1954. Khrushchev, as you well know, has openly declared economic war upon the United States, giving dramatic reemphasis to the words of Lenin pronounced more than 40 years ago.

> As long as capitalism and socialism exist, we cannot live in peace; in the end, one or the other will triumph—a funeral dirge will be sung over the Soviet Republic or world capitalism.

Having lost the propaganda victory of launching the first earth-circling satellite, we cannot and must not lose to the Russians the very crucial leadership in the economic field through lack of trade policy continuity or because of the pressure of special-interest groups.

In light of these circumstances of world politics, we hope the Senate will take action on the reciprocal trade agreements in the perspective of the United States as a world leader.

The AAUW believes, therefore, that:

One. It is imperative for the President and his executive departments, who have access to intimate information on foreign affairs, to continue to have the power to administer the trade treaty arrangements. The establishment of the President's Trade Policy Committee enables the Secretaries of State, Commerce, Treasury, Defense, Interior, Agriculture, and Labor to confer together so that the recommendations made to the President reflect the information and experience of their agencies closely concerned with United States trade policies.

We believe also that it is essential for the Congress to approve extension of the Reciprocal Trade Act for the 5-year period requested in the bill. Our industrial allies in Europe as well as our economically less developed friends in Asia, Africa, and Latin America are moving rapidly with their economic policies to meet the challenge of changing world patterns.

The next 5 years will prove of critical significance for the new Common Market of Western Europe. In order to conduct necessary negotiations with this new trade unit, both the United States and the European Economic Community must have the assurance of consistency in American policy for this minimal period.

Such continuity will also provide the atmosphere in which trade agreements can be readily reached to the mutual advantage of both parties.

The budding Latin American common market poses a similar situation.

The 5-year extension, we believe, is wise because it parallels the long-term development loan programs which the United States is now endorsing to assist the economic growth of our neighbors in the southern half of the Western Hemisphere, the new nations of Asia and Africa and the still relatively untouched areas south of the Sahara.

The AAUW recognizes that certain industries, in attempts to protect themselves against serious foreign competition, have called for amendments to raise tariff barriers or for the rejection of the reciprocal trade agreements. It is our belief that such action would not mitigate our domestic economic difficulties and could seriously damage the leadership of the United States in the free world.

Rather, we believe that some form of trade-adjustment legislation could provide the means for assisting workers, industries, or communities which are in fact injured by imports into this country.

In reviewing reports from our membership all over the country and the comments of the AAUW State presidents who have just concluded a meeting this past weekend here in Washington, we are of the opinion that the House vote of 317 to 98 in support of the bill on June 11 is an accurate index of public opinion favoring extension of the Reciprocal Trade Agreements Act.

We again wish to thank this committee for the privilege of appearing before it.

Senator LONG. Thank you, very much, Miss Meikle.

I think you have made a very good statement. I have no further questions to ask.

Senator Malone.

Senator MALONE. Miss Meikle, it is a very fine statement that you made there. We are glad to have you.

Miss MEIKLE. Thank you.

Senator MALONE. Is Mrs. Walter M. Bain the chairman of the legislative program committee of the AAUW, the wife of Mr. Bain who is the secretary or holds some position at the head of the State governments of the United States?

Miss MEIKLE. I do not know the answer to that question.

Senator DOUGLAS. I can give the answer. It is Mr. Frank Bain that I think you may be speaking of.

He spells his name, as I remember it, B-a-n-e. He lives in Chicago.

Senator MALONE. Miss Meikle, I think you were present when I asked some questions of Mrs. Laves. Perhaps you understood. I will not dwell too much on these questions.

Do you know who it was that first said, so far as I know, at least officially and he held an official position, that the economic affairs can no longer be separated from the political affairs of the country?

Miss MEIKLE. No, sir.

Senator MALONE. I will quote his language exactly for the record. It was Mr. Acheson, who was Secretary of State.

That was in 1948 or 1949 at about the same time that the Marshall plan was being argued before the Senate. That same year Mr. Willard Thorp, Assistant Secretary of State, testified (and I will correct his words for the record) that there were three things inevitably tied together. The Marshall plan, which would be a temporary method of building up the foreign nations in dollar balances and in various ways to get them on their feet. You are no doubt familiar with the argument on the Marshall plan. But he said that was a temporary plan.

The permanent plan was the Reciprocal Trade Act, and he did not say so-called. I have already explained that the phrase has never occurred in any act that Congress has passed and, of course, the agreements are not reciprocal. We will go into it far enough so that you can review the record and find that out.

Besides those two things there was ITO, the International Trade Organization. Do you remember when that International Trade Organization was put before Congress about 6 or 7 years ago?

Miss MEIKLE. Very vaguely; I do not recall the discussion.

Senator MALONE. Very well. If we had passed that act Congress would have approved everything that was done at Geneva. Congress has never approved it. The OTC, the Office of Trade Cooperation, was for the same purpose of approving what they are doing there and Congress denied that last year or the year before. The matter of GATT has never been put before the Congress.

I don't think the State Department thinks it would have very much chance and I think they are right.

Now Thorp said that those three things were inseparable and part of the entire program. Without taking time of the committee, I will have to quote those two men accurately so that it will be in the record, but it is enough to say now that the Secretary of State Acheson was the first one who tied those two together.

He was not the first one, however, to make those proposals that we become dependent on foreign nations for those things without which you could not live in peace nor fight a war.

Mr. Harry Dexter White, Assistant Secretary of the Treasury, was the first to make a proposal of that nature in 1945. He wrote a letter to the then Secretary of the Treasury, proposing that we give $5 billion to Russia to buy oil and tungsten and he listed 5 or 6 other materials that he said we were out of—we just didn't have them.

Of course, what he said has since been proven wrong, and everybody that knew anything about it knew then that it was wrong. But it was in support of our buying those materials from Russia that he wrote that letter to Mr. Morgenthau, his boss, who transmitted the letter, almost without change, to the then President of the United States, in 1945, and only asked for 10 million instead of 5.

Thank God Congress didn't do it, but this is to show you how these things are cooked up over a period of years and people forget who has been behind them.

Now, with that foundation, I will ask you if you know, and of course I know you do, that the Constitution pointedly separates the economic regulation of the economy of the country from the financing of foreign policy which Mr. Acheson said was no longer separated—in other words they should be tied together.

You do know that the Constitution definitely separates the two, do you not?

Miss MEIKLE. Yes, sir.

Senator MALONE. Article 1, section 8, puts the regulation of the National economy in the hands of the Congress, and says they shall regulate the duties, imposts, and excises that we call tariffs.

They shall regulate foreign commerce, foreign trade, which, of course, regulates the national economy.

Article 2, section 2, says that the President of the United States shall fix the foreign policy. It's never been questioned.

Well, do you think that those two should be tied together effectively amending the Constitution of the United States without, as George Washington said, changing the Constitution in the way set down by the document?

Miss MEIKLE. No, sir; I don't think that the Constitution should be circumvented in any manner.

Senator MALONE. I knew you didn't.

Now, you call tariffs barriers. That was a word invested along about 1934 or 1935. But, as a matter of fact, do you know that the duties or tariffs, as we have come to know them for 150 years were adjusted, awkwardly at times, because they had to work out machinery as they went along, to make the general difference between the effective wages and the cost of doing business in this country and in the chief competing nation on each product.

Do you know that was the general policy in effect until 1934?

Miss MEIKLE. Generally speaking.

Senator MALONE. Would you call it a barrier if your husband was getting $15 or $20 a day and the worker in a foreign nation such as Japan was getting 20 cents an hour, about $2 a day, where in many industries they worked 10 hours a day although some of them have cut to 8, with American machinery and all the know-how that we have here—would you call it a barrier if a duty on the product of the factory where he was employed would just make the difference in the effective wages and costs of doing business here and in Japan?

Miss MEIKLE. Well, sir, I think it is a barrier to the import of the Japanese duties, of the Japanese goods.

Senator MALONE. That is true. But would you refer to it as a barrier or would you find a milder word if it only made the difference in the effective wages?

You see, our standard of living is so much higher; I have been in Japan and I have been in all of the nations of the world. I decided when I first came here to visit all of our star boarders, and made it a point to visit all of them.

Then I went behind the Iron Curtain and I have pictures from all that area. I stayed 2½ months and traveled 14,000 miles in Russia and, when I came back, I said 3 things which I think I first said from Russia.

First, in a very reasonable time Russia would be self-sufficient in everything they needed to fight a war or live in peace.

It is a tremendous country. I am an engineer and it would drive the engineers crazy the things they can produce and are producing out in those mountains.

Second, there would be no effective revolt.

Miss MEIKLE. I am sorry I didn't hear that.

Senator MALONE. There would be no vehicle of effective revolt because they were living so much better than under the Czar, and better than 5 or 10 years ago and that is the way we figure here. If we are improving our living standard all the time nobody says much about it.

It is only when we go down that we hear arguments.

Further, then, the third thing: that all the power in the Eastern Hemisphere had moved to Russia. There is none in Europe. The colonial system died when the airplane dominated the British Fleet in 1942.

Therefore, there is no power in the Eastern Hemisphere other than Russia and nobody but us in the Western Hemisphere. There are not 5 nations, but 2 of us.

If those three things are true that I outlined to you, and I will tell you that even the State Department found that out in October of 1947, just 2 years after I had said it; when they launched the sputnik, or whatever it was, out in my State there were several suggestions as to who ought to go up in that first sputnik of ours, but it was not carried out. If those three things are true and, of course, everyone should know now that they are, wouldn't you think we would have to make our economy work here and make it strong, whatever it took to do that?

Miss MEIKLE. Yes, sir; I think we are always interested in making everything, our economy, strong.

Senator MALONE. Sure you are.

I want to leave this thought with you, without taking any more time of the committee: We are living on a war economy.

Miss MEIKLE. I beg your pardon.

Senator MALONE. We are living on a war economy. If Mr. Khrushchev is half as smart as I think he is, and I met him a half dozen times over there at cocktail parties and unofficially in his own office, he is tougher than a boot and he is for Russia. Some of these days we are going to have to develop a few people for the United States of America on the same basis.

Do you agree to the fact that our President, under this act that is contrary to the provisions of the Constitution of the United States and without consulting Congress at any time whatever, can in a trade agreement lower the tariff or duty below the effective difference in wages and the cost of doing business here and in our chief competing nation on any product and thus trade to a foreign nation all or any part of it he wants to if he believes that it will further his foreign policy?

Miss MEIKLE. I think that the wage differential is not the only thing that the President takes into consideration, and that the Trade Policy Committee takes into consideration in making its recommendations to the President.

Senator MALONE. Would you believe that if he were to further his foreign policy by doing that, and we have no time to go into the wage differential, but I can do that, we have done that and it is a matter of record, and I would be very happy to furnish it to you, do you believe he should be able to trade any industry that he wants to to further his foreign policy which he can do without consulting Congress, your Senators or Congressmen? Where are you from, by the way?

Miss MEIKLE. Pennsylvania.

Senator MALONE. A fine State—that your Senators and Congressmen have nothing whatever to do with fixing tariffs any more?

They can take up any product they want to, but unless they do especially, they have nothing whatever to do with it, so Secretary Dulles testified Saturday. They are not informed of what the State Department is going to do until after they have done it and they are not allowed to attend the meetings over there at Geneva, neither Congressmen or Senators or you, but after the agreements are signed, sealed, and delivered, then they furnish the copy to Congress.

Are you aware of that method of doing business?

Miss MEIKLE. Yes, sir, generally, although it is my understanding that there has been an amendment to the Trade Agreements Act put in by the House which would give the Congress, by a two-thirds vote, the right to restore the Trade Commission's recommendations if the President——

Senator MALONE. The Tariff Commission.

Miss MEIKLE. The Tariff Commission.

Senator MALONE. That is right. It is pretty hard to get a two-thirds. Wouldn't you favor a joint resolution if it was serious enough that your Senators and Congressmen, in a joint resolution by the majority would be against going below what they call the peril point at the moment, that it ought to prevail?

Miss MEIKLE. I don't think so, sir. I think that our organization would still prefer to see the President taking all of the factors of foreign policy into consideration, having the greater discretion.

Senator MALONE. He could consider what he himself believes to be at the moment the factors of furthering his foreign policy.

The crockery business has been traded off. I could go into 40 or 50 of them. There is no need to go into it.

You believe he should have the authority to do it?

Miss MEIKLE. Yes, sir.

Senator MALONE. Then I know you are sure, you already discussed this a moment ago, that the rules and regulations of GATT make it unnecessary for the 36 foreign competitive nations sitting in Geneva with us as member 37, each with 1 vote, to keep their share of the agreement as long as they can show they are short of dollar balance. You believe that is all right?

Meaning, of course, that they are just short of money to buy what they want to buy on the world market and still have money enough to keep abreast of their dollar balance of payments.

As long as they can show that they are short, then they do not need to keep their part of the agreement.

Do you believe that is all right?

Miss MEIKLE. I am afraid I am not familiar enough with that portion of the GATT agreements.

Senator MALONE. I wish you would study it and if you could answer it "Yes" or "No," or a modification, I would be happy if it would show in the record.

You will allow that won't you, Mr. Chairman?

We are not trying to embarrass anybody here. You see you are representing a bloc of American taxpayers. You have a fine organization in the State of Nevada. Do you know who is the president?

Miss MEIKLE. No, I do not.

Senator MALONE. It is Mrs. Bill Darling, one of the finest women you ever knew and she was just here in Washington.

Would you at your convenience or if you could as part of your testimony, furnish to the committee a list of your State presidents? You do have one in each State?

Miss MEIKLE. Yes, sir.

Senator MALONE. And your officials that make their headquarters in Washington?

Miss MEIKLE. I would be very happy to. I happen to have that with me.

(The material referred to was subsequently submitted for the record as follows:)

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Senator MALONE. Thank you Mr. Chairman, and if I may sum up the testimony and not take the time of the committee, that is all, I appreciate the fact that you and Mrs. Laves and others of your caliber and the organizations you represent are coming here and giving us an opportunity to question you, and I assure you that you have your full right to your opinion.

You may be right or may be wrong and I may be right or wrong, but as long as we can keep it on that basis, and every taxpayer and everybody in the United States has a right to say what they care to say, I think we are getting along pretty good.

Miss MEIKLE. Thank you.

Senator LONG. Senator Carlson, you are next in the order of seniority in the committee, even though there is a Democrat between you and Senator Douglas that I could call on.

Senator CARLSON. I would be glad to yield.

However, I have just 1 or 2 questions. I believe Miss Meilke, you had your national meeting or national convention here last week in Washington.

Miss MEIKLE. There was a State presidents meeting here in Washington.

Senator CARLSON. Did you take any action in regard to extension of reciprocal trade agreements at that time?

Miss MEIKLE. I was not here. Dorothy Robins.

Miss ROBINS. There was no specific action taken on reciprocal trade at this past meeting, the official action was taken at the June biennial convention a year ago in Boston.

However, the State presidents who know about the intensive educational campaign which has been carried on among the membership, actually since reciprocal trade idea was first put forth, knew about the fact of the testimony today and lent their good wishes and congratulations to this action.

Senator MALONE. All of this testimony would be available to the State presidents, and they were supposed to go out and sell this program regardless of what they think about it, are they?

Miss MEIKLE. No, sir.

Senator MALONE. They are not?

Miss MEIKLE. I beg your pardon.

Senator MALONE. They are supposed to go out and sell this program to their States, regardless of what they personally think about it?

Senator LONG. I believe we had better let Senator Carlson have his turn as he has only asked a few questions this morning.

Senator MALONE. That is right. I think I ought to have an answer.

Miss MEIKLE. Shall I answer the question?

Senator LONG. Answer the question and then we will turn the floor over to Senator Carlson.

Miss MEIKLE. Of course, it is an AAUW sponsored program in that we advocate all of our branches, study and take action on this particular item. However, we do not expect any person who is personally opposed, to advocate something that she is personally opposed to. I think that would be very difficult for anyone to do.

Senator LONG. Senator Carlson.

Senator CARLSON. In view of the questions just asked by the Senator from Nevada, I would say, knowing the heads and many members of the university women, I don't think anyone could convince them they should go out and advocate anything against their ideas.

Miss MEIKLE. I think so.

Senator CARLSON. They are a splendid group of outstanding women and in many of our State schools and doing a splendid job and you have been a very able representative here this morning and I shall report your work.

Miss MEIKLE. Thank you.

Senator LONG. Senator Douglas.

Senator DOUGLAS. I have no questions except to say I want to thank the witness and those who are also going to testify today for coming here, they have nothing to gain individually by their testimony, and they represent a group which normally is not heard before committees, namely consumers and citizens who are simply generally interested as distinguished with specific interest and I want to express my appreciation for the trouble they have taken in preparing their statement, Mr. Chairman.

Senator LONG. I would like to ask one question relating to an assertion I have heard about your organization and about the League of Women Voters. To what extent is the opposing point of view debated in your meetings?

On the Senate Finance Committee there are some members who are in favor of expanded foreign trade, like Senator Douglas, and Senator Gore, we have some who, like Senator Malone, feel the present program is injuring a number of American industries. I do not think that Senator Malone's vigor is exceeded by any Member of the Senate in opposing the way the program is being administered at the present time.

I would appreciate your answering this question. To what extent do you have vigorous dissenters to the present trade program within your own organization?

Do you have some who have studied the matter thoroughly and debate vigorously against the prevailing view of your organization of the Association of University Women?

Miss MEIKLE. I think we undoubtedly have some persons and I think I can speak from my experience in Pennsylvania primarily not from any other State. We had a number of branches in Pennsylvania where I know the international relations study group did study the matter of reciprocal trade and mutual security very thoroughly and I would assume certainly there were persons who dissented because there are naturally persons who have individual interests who are going to be opposed to this program and those points of view were expressed.

Nevertheless, many of our study groups take action in recommending to their members that they support the extension of the reciprocal trade agreements.

Senator LONG. May I suggest that, if any of your organizations are looking for information to buttress the case, they can get information from the office of Senator Malone.

Senator MALONE. Just to keep the record straight, all of us are for expanding free trade. It is a question of whether you think of sacrificing an industry in the interest of foreign policy.

The question is whether it is worth it to do that or just to have a principle laid down that the Tariff Commission, an agent of Congress, be so set up that they shall always have that flexible duty, impost or tariff, whatever you want to call it, to equal the difference between the wages and cost of doing business here and in the chief competing nation—and to lower that tariff as the living standards of that nation might increase. When their living standard increased to equal ours there would be automatic free trade.

We are all for free trade. It is a matter of how we reach it.

Miss MEIKLE. Of course, we said, as I said in the prepared statement, if industries are damaged by the trade program that Congress could provide other methods of taking care of it.

Senator MALONE. That is what some of us are trying to do. What other method would you have for taking care of it?

Miss MEIKLE. Well, I cannot speak authoritatively about the proposals, the trade-adjustment proposals. I think that such things would be better worked out by people much more familiar with those matters than we are.

Senator MALONE. Yes. I thought maybe you had a reference to a bill that the State Department has generally supported over the years, to appropriate money so that when men are put out of work through cheap imports they would be trained for other work and transportation provided to take them to other areas, and also to compensation to a certain extent stockholders of industries that had been hurt.

I thought maybe you had reference to that.

Miss MEIKLE. Yes, sir; we have been familiar with those proposals.

Senator MALONE. That is the way they do it in Russia, only they don't need a congressional act.

That is all, Mr. Chairman.

The CHAIRMAN. I place in the record at this point the statement of the General Federation of Women's Clubs, 1734 N Street NW., Washington, D. C., submitted by the president, Miss Chloe Gifford, in lieu of personal appearance.

(The statement referred to follows:)

STATEMENT ON RECIPROCAL TRADE AGREEMENTS PRESENTED BY MISS CHLOE GIFFORD, PRESIDENT, GENERAL FEDERATION OF WOMEN'S CLUBS, WASHINGTON, D. C.

The General Federation of Women's Clubs is an international organization of 12 million members, including our associates. We have clubs in every State and in our Territories, and in 60 countries throughout the world. We were chartered by Congress in 1901.

The principles of the reciprocal trade agreements, as passed by the Congress in 1934, were considered by our State conventions and endorsed by national convention in 1938. By resolution at national convention the General Federation has supported legislation which would extend the life of the agreements every time such legislation was necessary. At our last convention in Detroit, June 1958, GFWC delegates amended the resolution passed in 1948 in order to support the proposed extension for 5 years.

The women of the General Federation take an intelligent approach to economic problems—they are wives of prominent business and professional men of this country. Many are themselves engaged in the business, industrial, and professional fields. They study and think about what is good for the security and defenses of the United States. They believe the foreign policy of the United States, as expressed in the reciprocal trade agreements program, is wise and forward looking which would not only aid friendly nations but would be of great economic benefit to the United States.

Our members believe in the free enterprise system. They do not wish to injure domestic enterprise—they have confidence in the ingenuity of the American people. They believe that in a rapidly changing world where distances have been so drastically reduced by transportation and communication we must extend our ideals of free enterprise. It would be short sighted to think we can sell free enterprise if the principle is to be confined to industry within our own borders.

We feel certain that American industry will be challenged to develop new and better merchandise for Americans as well as for export in competition. We have confidence in American business and industry. Russia has challenged the free enterprise system—we do not want them to prove it cannot compete with foreign trade.

We know the law will have certain safeguards, that whoever is President of the United States will use good judgment in using those safeguards, if and when it is necessary.

It seems to the General Federation that a stronger sense of security for our Nation would evolve and a greater sense of confidence in the United States would develop among our foreign friends if we extended the Trade Agreements Act for 5 years at this time. It would surely show that the United States planned from strength. We do not dare, in these challenging times, to let it appear we are controlled by fear.

As a strong, progressive nation let us courageously act in the way that will create confidence in the United States. We urge you and the full Senate to support the proposal for a 5-year extension of the reciprocal trade agreements.

Senator LONG. Thank you very much.

Our next witness is Mr. Blough representing the National Council of Churches. Mr. Blough, I have a copy of your statement here and I believe it is available to the other members of the committee.

I have asked that it be distributed and inasmuch as we have a number of other witnesses we hope to hear today, rather than ask them to come back on into the night, I would hope that you could follow the Reorganization Act where we would print the statement and then proceed to examine the witness with regard to it.

I believe you have had some experience here up on the Hill in Government, have you not, Mr. Blough?

Mr. BLOUGH. That is correct.

Senator LONG. Would you tell us your experience prior to your present post?

STATEMENT OF ROY BLOUGH, REPRESENTING THE NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE UNITED STATES

Mr. BLOUGH. That is correct. My principal experience in Government was as Director of Tax Research for the Treasury Department from 1938 to 1946, and Assistant to the Secretary of the Treasury from 1944 to 1946, and later as a member of the President's Council of Economic Advisers from 1950 to 1952.

At the present time, I am professor of International business in the Graduate School of Business at Columbia University.

However, I am appearing here on behalf of the National Council of the Churches of Christ in the United States, and what I would like to do, if it pleases the committee, is to have the statement printed in the record.

Senator LONG. Yes.

Mr. BLOUGH. But to have leave to read a few parts of the statement for the purpose of getting the ideas a little more clearly before the committee than might be the case if we had no preliminary statement at all.

I think this might take 5 minutes.

Senator LONG. Yes; if you can confine yourself to 5 minutes, go right ahead. I have noted what I thought were the highlights of your statement about which to ask questions.

Senator Carlson?

Senator CARLSON. Mr. Chairman, before we proceed I had the privilege of being on the House Ways and Means Committee and had Roy Blough before the committee on many occasions and I think for the record it should show he served as economist and adviser to at least four Treasury officials in charge of tax-policy matters—Undersecretaries Magill and Hanes, Assistant Secretary Sullivan, and General Counsel Paul—and then I believe he was himself acting in that capacity directly under the Secretary for 2 years or so.

Mr. BLOUGH. Thank you, Senator.

First, Mr. Chairman, I think I should say how the National Council of Churches arrives at its statement in view——

Senator LONG. I would like you to know I have already read your statement.

Mr. BLOUGH. Yes; but it does not make quite clear what happens.

Senator LONG. Yes.

(The statement in full is as follows:)

TESTIMONY ON BEHALF OF THE NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE U. S. A., BY ROY BLOUGH

My name is Roy Blough. Through your courtesy, I am pleased to testify here on behalf of the National Council of the Churches of Christ in the United States on the basis of its official policies and by authorization of its appropriate officers. I am a member of the general committee of the department of the church and economic life of the National Council of Churches and I am appearing here through the cooperation of that department with the department of international affairs.

The National Council of Churches has as its constituent bodies 33 Protestant and Eastern Orthodox communions, which have a total membership of approximately 38 million persons. While of course I do not presume to speak for these 38 million individual church members, the views which I am presenting where adopted after careful study, discussion, and deliberation by the official representatives of the constituent communions.

THE COMPETENCE OF THE NATIONAL COUNCIL OF CHURCHES TO SPEAK ON TRADE POLICY

The National Council of Churches believes it has a responsibility to adopt and make known a position on international trade policy. The achievement or failure to achieve the great Christian goals of dignity and worth of the individual, the brotherhood of man, and world peace is dependent not only on the behavior of each of us as individuals but also on group action, including governmental policy, which is therefore a matter of Christian concern.

Governmental policy towards international trade has an important bearing on the relations of people and of nations. What happens to people and nations and world community because of the economic facts of life are matters of concern for religious faith and values. In such matters the churches have a particular interest and competence.

In arriving at its position the National Council of Churches has brought to bear a number of special elements of competence. First, the churches through their world-wide stationing of workers in mission and service enterprises have access to first-hand knowledge of the effects of international trade policy on people in many countries.

Second, in the worldwide cooperative work among different church communions, notably through the World Council of Churches and its Commission of the Churches on International Affairs, Christian groups in more than 50 countries meet in periodic international conferences, and carry on continuing contacts in which views are exchanged with respect to the mutual impact of the foreign economic policies of nations.

Third, the National Council of Churches has special departments devoted to economic life and international affairs. In these departments outstanding Christian laymen who are qualified in various related fields of specialization are regularly brought together to consider important current issues and to develop policy statements which represent both the general concerns of the churches and the best informed judgment of laymen who are particularly competent in the matters under consideration.

The churches through the national council have consistently taken the position that promoting the economic health of the world will help to create the conditions of peace, and that to promote economic health in the world, trade policies should be sustained and dependable, should aid economic stability and progress in each nation, should be mutually advantageous through increasing international exchange of goods and services, and should lead to the elimination of excessive trade barriers.

SOME STATEMENTS OF POLICY IN RECENT YEARS

The following are statements on international trade and trade policy made by the National Council of Churches in recent years:

In 1951 the following statement was officially voted:

"Peace among nations and trade among nations are interrelated, for the first requires and the other aids economic stability and progress in each nation. As a country of unique economic strength, the United States should adopt on the national level, and support on the international level, policies which will be mutually advantageous through an increasing exchange of goods and devices * * *." (The National Council of Churches Views Its Task in Christian Life and Work, "approved" for publication May 1951.)

In that same year, with regard to Japan in particular, at the time of urging ratification of the treaty, the National Council of Churches spoke as follows on the matter of trade for Japan:

"It is our hope that the provisions therein contained will promote the economic well-being of Japan. The limitations of the sovereignty of that country to the Japanese home islands pose for its 83 million people an exceptionally difficult but not insuperable problem * * *. Since the Japanese people cannot subsist upon their own very limited agricultural resources, Japan must be helped to a position where she can support herself by trade abroad. If we would build constructively for peace in the Far East, Japan must be allowed access to raw materials and overseas markets." (The Treaty of Peace With Japan, November 28, 1951.)

In 1952, previously adopted and maintained policies of the churches cooperating in the National Council of Churches were recorded in this way:

"The national council has supported the United States program of economic aid and technical assistance to the underdeveloped areas of the world and the principles embodied in the reciprocal trade agreements which seek to promote economic health in the world community by eliminating excessive tariff barriers." (Christian Responsibility in the 1952 Election, September 24, 1952.)

In 1953, the National Council of Churches declared:

"Even highly developed areas cannot become economically healthy unless the United States has a sustained trade and tariff policy which will permit them to sell more goods here." (The Price of American Power, September 16, 1953, for publication, October 25, 1953.)

In 1957, while concentrating on issues of economic aid, the National Council of Churches also expressed its concern for constructive international trade programs:

"The National Council of Churches on the basis of Christian concern, and in keeping with actions of many of its constituent bodies, holds that the United States should continue to develop, improve and expand programs of technical assistance, economic aid and international trade such as will make for stability, justice, freedom and peace for the peoples of the underdeveloped areas of the world and for all nations including our own."

THE INCREASED IMPORTANCE OF TRADE POLICIES AND PROGRAMS IN THE NUCLEAR-SPACE AGE

The most recent official policy statements of the National Council of Churches emphasize the increased importance of constructive trade policies and programs in the nuclear-space age. Taking recognition of the beginning of this new era in human history, the general assembly of the National Council of Churches meeting in St. Louis, December 5, after a process of careful consideration by responsible units within the council, adopted two significant statements which are pertinent to the subject of these hearings. The vote on the first was unanimous and that on the second virtually unanimous among the total number of 520 registered, voting delegates.

In the first statement on "Some Hopes and Concerns of the Churches in the Nuclear-Space Age" the point is made that "the present crisis with its dangers and opportunities, while partially military and scientific, is of broader and deeper nature. It is also educational, political, psychological, economic, diplomatic, and cultural. Even more fundamentally, it is moral and spiritual." In terms of the urgent need for nonmilitary actions by our Government in these days, and especially concerned with political and economic policies, this statement declares:

"We must take fuller account of the revolutions of rising expectations among newly developing areas for more freedom, dignity, independence, and a fuller share in the control and the benefits of modern industrialization.

"We must recognize that questions are now raised as to the adequacy of United States and other free nations and systems not only in science and know-how but also in economic and political leadership. We believe our Nation must react not defensively but in constructive policies and programs to demonstrate the values of our society in economics, political procedures, and human values. We must avoid, however, attempting to impose our ways on other peoples, and we must encourage their developing of their own ideas and institutions for human good.

"We urge our Nation to take new diplomatic initiative in persuasive ways, making maximum use of the United Nations and its agencies, and working more sensitively and comprehensively through appropriate bilateral and regional means. Our coalitions must be strengthened in mutual efforts and sharing of concerns and knowledge, in reaffirmation of their relation to the United Nations and its purposes, and in increasing joint responsibilities for economic, political, and social well-being of peoples.

"Our Nation, in partnership with others, we believe, should seize the present crisis as an opportunity to give increased moral and spiritual leadership to the world. In this we must avoid self-righteousness and moralism, but develop domestic and foreign policies and practices which will give more compelling witness to our fundamental concerns as a Nation for human rights and human values, for independence and interdependence, for freedom and responsibility, for justice and peace."

Spelling out more fully the nature of foreign economic policy which Christian faith and values and the international facts of life demand at this moment of history, the General Assembly of the National Council of Churches adopted this official statement on international aid and trade:

"OUR CHRISTIAN CONCERN

"Oneness in Christ across the nations requires mutual aid and trade.

"As Christians we feel compelled to give our special support to the further development of foreign economic policies of the United States which will reflect our interest in man's welfare in other countries as well as in our own. We believe that constructive policies of international aid and trade are essential to the creation of conditions of peace with justice and freedom.

"The natural wealth of the world and the capacity to transform raw materials into desirable goods are not evenly distributed among nations. Our own country is richly endowed and highly developed. Some countries may be able to produce many commodities efficiently but have serious shortages in other essentials. Still other lands have such a low level of production that most of their citizens live in poverty, disease and illiteracy. These nations are all in our world and their people are all in God's concern. As Christians, we cannot help but be distressed by human misery and misfortune wherever it may be, and seek appropriate ways by private and public means to promote the welfare of our fellow men.

"INTERNATIONAL TRADE

"Trade in goods and services as a cooperative effort benefits both buyer and seller. On the basis of the principle of mutuality, in our own interest and in that of our neighbors, our economic foreign policies should seek expansion of trade. We believe that encouragement should be given industry to expand its international trade by constructive governmental policies. As a means of lowering barriers to trade, we support the principle of reciprocal trade agreements. We hope this program will be extended for at least another 5 years without weakening amendments. We urge that in its provision and operation there be less emphasis on reinforcing trade barriers and more on expanding trade. Further, we endorse United States participation in the international machinery necessary for efficient and orderly administration of the reciprocal trade agreements system such as is planned for in the proposed Organization for Trade Cooperation. While advocating the strengthening and extension of the reciprocal trade system, we are aware that some agreements may have certain local adverse effects. We hold, therefore, that as our Government adopts measures to strengthen international trade it should also approve programs of special assistance to areas, industries, and people adversely affected, to aid them in adjusting to the new conditions brought about in efforts for the larger good in an interdependent world.

"TRADE BENEFITS US AND THE WORLD

"It is important not only that trade among nations be expanded, but also that it be stable. Any significant decline in United States business activity would have serious repercussions abroad as well as at home. There will be specific benefit to our national economy because of policies which will increase trade, but, even more, we urge such policies because they can be of much greater benefit to other countries more dependent on trade. Most of all we support such policies because they represent an important element in the construction of international cooperation which is so essential to building a world of more justice, brotherhood and peace.

"ECONOMIC AND TECHNICAL AID

"We recognize that trade alone will not enable economically underdeveloped countries to realize their potentialities for economic growth and social progress including freedom. Both private and public aid, in the form of technical cooperation and capital, is indispensable. Assistance in long-time capital loans on favorable terms and capital grants, on a more limited basis, will be needed over a long period of time to enable such areas to establish their own economies and their place in the world market. Greater use should be made of international agencies, such as the United Nations and regional organizations. Technical and economic aid, while related to other parts of foreign policy, should not be primarily for political and military considerations, but for the purpose of helping people to meet economic and social needs and opportunities.

"IN SUMMARY

"This assembly advocates balanced, expanding programs of international aid and trade to the end that in this interdependent world its various peoples, all created and cared for by God, may have a more abundant life, with more well-being, knowledge, justice, freedom and peace."

Mr. BLOUGH. What happens is that there is a department of international affairs which has a general committee of about 120 men and women from various walks of life, employers, employees, farmers, economists, professional people, clergymen and so on, and they hammer out problems which involve moral responsibility on the part of the churches, and come up with statements regarding those matters on which they believe a stand should be taken.

These statements then, if they can get virtually unanimous support, with very little dissenting opinion—and that was true in this case—go up to the executive committee of a higher body, the division of Christian life and work, where the statement is considered, and if it is passed there it goes either to the general board or the general assembly of the National Council of Churches, which represents about 38 million members of 33 Protestant and eastern Orthodox communions.

Among the national council statements over the past 7 years favoring a liberalized trade policy, the one I particularly wish to mention was passed by the general assembly last December at St. Louis by a virtually unanimous vote on the part of the 504 delegates. There was only a very small scattering of negative votes.

Now there are two paragraphs from this statement which I would like to read, Mr. Chairman, if I may.

Senator LONG. Go ahead.

Mr. BLOUGH. They are as follows:

Trade in goods and services as a cooperative effort benefits both buyer and seller. On the basis of the principle of mutuality, in our own interest and in that of our neighbors, our economic foreign policies should seek expansion of trade. We believe that encouragement should be given industry to expand its international trade by constructive governmental policies. As a means of lowering barriers to trade, we support the principle of reciprocal trade agreements. We hope this program will be extended for at least another 5 years without weakening amendments. We urge that in its provision and operation there be less emphasis on reinforcing trade barriers and more on expanding trade.

Further, we endorse United States participation in the international machinery necessary for efficient and orderly administration of the reciprocal trade agreements system such as is planned for in the proposed Organization for Trade Cooperation.

While advocating the strengthening and extension of the reciprocal-trade system, we are aware that some agreements may have certain local adverse effects. We hold, therefore, that as our Government adopts measures to strengthen international trade it should also approve programs of special assistance to areas, industries, and people adversely affected, to aid them in adjusting to the new conditions brought about in efforts for the larger good in an interdependent world.

It is important not only that trade among nations be expanded, but also that it be stable. Any significant decline in United States business activity would have serious repercussions abroad as well as at home. There will be specific benefit to our national economy because of policies which will increase trade, but even more, we urge such policies because they can be of much greater benefit to other countries more dependent on trade.

Most of all we support those policies because they represent an important element in the construction of international cooperation which is so essential to building a world of more justice, brotherhood, and peace.

I will let the rest of the statement go into the record, Mr. Chairman.

Senator LONG. Fine. I would like to get something of your view, and I assume in some instances it will be your personal view, but you are a well versed witness on this question, with regard to one or two of the aspects of foreign imports.

It would seem to me some people are in a very good position to look at this problem from a statesmanlike point of view. I have noticed that our automobile exports are four times as large in dollar volume as our imports.

Our chemical exports are seven times as large as our imports of chemicals, but one chemical industry wants protection.

Our exports of some types of electrical machinery, printing equipment and office supplies are nine times as large as our imports.

I think that those industries can very well take a statesmanlike point of view. They can afford to be in favor of expanded foreign trade even if it means more imports, can't they?

Mr. BLOUGH. Yes, sir, I think they should be able to.

Senator LONG. Although many automobiles are now being imported, our automobile industry is currently gaining more business than it is losing.

What is your view about the situation in which a foreign producer, because of our technical and material aid, is in the position of producing at a lower price than the American producer?

Do you believe we should simply make arrangements for the American producer to go out of business or do you think we should work out an arrangement whereby at a particular level we would protect the market of the American producer?

Mr. BLOUGH. Well, this is, of course, a very central question—and I am now speaking as an individual and not representing the National Council of Churches.

Senator LONG. Yes.

Mr. BLOUGH. The export trade of the United States is closely linked to the import trade of the United States, because if it were not for our imports our exporters would not be able to sell abroad.

In a very real sense the competition from foreign producers is at bottom really competition from our export industries. Our export industries have shown that they are relatively more efficient, in comparison with foreign producers, than are the industries unable to meet foreign competition. They pay American wages and still undersell their foreign competitors.

The United States exports those kinds of goods on which our comparative costs are low and imports those kinds of goods on which our comparative costs are high.

In this country we have in general felt that competition is in the national interest, even though some businesses are driven out by competition. Every day we have many business concerns that go out of business, not because of foreign competition but because of domestic competition.

My point is that in foreign trade our exporters, the ones who can sell more cheaply and produce more cheaply than foreign producers, are in competition with our domestic producers in the import industries, although superficially it does not appear that way.

If we cut down on our imports, our exports will fall; if we increase our imports, we have every reason to believe that our exports will rise. In view of the situation I would say, that from the viewpoint of the national economy, while I hate to see anybody hurt, we must expect some people to be hurt.

We should not forget that the industries which are protected by tariffs or quotas have been bolstered by Government intervention. They are the beneficiaries of special Government interference in the market.

However, they have been built up under that intervention, and they have gone on for many years, and we must recognize that they have developed an expectation that the intervention will continue. Some injustice results from reducing it or taking it away.

But at the same time, we know that there are many injustices inherent in any economic system, including the American economic system. I am afraid that we simply will have to consider that the particular interests of some people must give way to the larger interests of consumers and of national economic strength.

An export industry from the viewpoint of justice is no more deserving than an industry that is subject to import competition. Neither is more important than the other essentially, but in case we have freer trade and are able to buy abroad at lower prices, we benefit the general consuming public and the national economy, while, as between groups, we are benefiting the export industries and are permitting difficulties and perhaps harm to come to industries which are subject to import competition.

Senator LONG. This thought occurs to me.

The petroleum and the automobile industries are essential in commerce.

The automobile is not as essential to the national defense as the products to which the automobile industry can convert in the event of a national emergency. Moreover, the heavy industries that exist by supplying components to the automobile manufacturers are essential to America.

Foreign producers have approximately 25 percent of the petroleum market, while, in 1957, 337 million gallons were imported and 1 billion 300 million exported from the United States.

The automobile exports are four times as great in dollar volume as the imports.

I should think the statesmanlike thing to do would be to say, "What is the tariff on automobiles?"

Take it off automobiles and give petroleum a little more protection.

I wonder how this idea appeals to you.

Mr. BLOUGH. I do not quite get the point.

Senator LONG. What is the tariff on automobiles?

Mr. BLOUGH. I do not recall.

Senator MALONE. Ten percent.

Senator LONG. It has been reduced to 7.

Senator MALONE. Seven and a half.

Senator LONG. I understand it has been reduced to 7½ from 10.

What would be your reaction to further reducing the tariff on foreign-produced automobiles? Our automobile industry does not seem to need protection, while possibly our oil industry could use this protection.

Mr. BLOUGH. I would have no objection to taking the tariff off automobiles, as far as that is concerned. But on petroleum I think the statesmanlike thing to do is to see to it that 25 or 50 years from now we still have some petroleum, and that the best way to have some petroleum in 25 or 50 years is to meet a substantial part of our needs by imports.

Senator LONG. Let me ask you this: Suppose a war actually broke out and we were producing at 60 or 70 percent or even 50 percent, of our present capacity to supply our market. How long do you think it would take us to produce at full capacity if our foreign suppliers from Saudi Arabia and Venezuela were cut off by Russian submarines?

Mr. BLOUGH. This would depend of course on what had happened to our wells in the meantime.

Senator LONG. Do you expect any industry to maintain a capacity of 100 percent greater than its production without a very heavy subsidy from the taxpayers?

Mr. BLOUGH. It would depend on the circumstances whether they could afford to do it.

The chances are we would not have as extensive a research and development program as we have had.

Senator LONG. Well, does not capacity tend to come into line with the volume sales of almost any industry?

Mr. BLOUGH. Over the long run that is certainly true, of course.

Senator LONG. If we were producing half of our domestic requirements and suddenly found ourselves at war with 500 to a 1,000 Russian submarines cutting off our shipping lanes, how long do you estimate it would take us to produce the necessary supply of petroleum?

Mr. BLOUGH. If, in the case you are giving, the wells in the United States had been operating at full capacity, and the war then cut us off from imports, it would of course take a long time, at least 5 years.

Senator LONG. It might take a lot longer than that, might it not?

Mr. BLOUGH. Yes.

Senator LONG. If we had to ration steel?

Mr. BLOUGH. Yes. If, on the other hand, our wells were operating at 50 percent or less of capacity, we could expand the production to meet the need virtually overnight. So there is some advantage in having an industry which is running at substantially less than full capacity.

Senator LONG. You realize that the reason the capacity at the present time far exceeds production is because you have been cutting back on the production of the industry in the last few years.

At the time of Suez, however, you were asking for the production of all the oil you could pull out of the ground.

Now the industry is being required to cut back to about 50 percent of capacity. If you keep production there it seems logical that they are not going to drill or develop as many wells as they would otherwise. This is particularly true because most of the major companies produce oil in Saudi Arabia as well as in this country.

They would much prefer bringing in cheap oil from Saudi Arabia rather than producing as much of it in America.

Mr. BLOUGH. They would bring in oil from where they could make the most money on it.

Senator LONG. If they can produce it at half the cost in Saudi Arabia would not they rather produce it there and bring it to America?

Mr. BLOUGH. If they could land it here, considering the cost of transportation, yes, of course.

Senator LONG. Have you any experience as to what the transportation costs are?

Mr. BLOUGH. My recollection is that we are not getting a great deal of Saudi-Arabian oil here. I think what has happened more is that the petroleum from the Middle East has been going largely to Europe, and our market has been considerably reduced in Europe on account of that.

We have been getting Venezuelan oil mostly.

We may have been getting some oil from the Middle East.

Senator LONG. Are you making that statement with regard to products as well?

Mr. BLOUGH. No, I would not make that, in fact the statement is one based on memory.

Senator LONG. Guesswork?

Mr. BLOUGH. No, not guesswork. I am trying to remember.

Senator LONG. On present-day facts?

Mr. BLOUGH. I am trying to remember.

Senator LONG. Remember from when?

Mr. BLOUGH. I looked into this 3 or 4 years ago. I am not prepared to say that my memory is correct. But——

Senator LONG. What is your estimate of the cost of hauling oil here from Saudi Arabia?

Mr. BLOUGH. I would not want to guess.

Senator LONG. Would 5 cents a barrel sound reasonable?

Mr. BLOUGH. No, sir.

Senator LONG. How far out of line would that be?

Mr. BLOUGH. Well, now, if you are going to push me into showing that my memory for figures is bad, I would say that the cost is very much higher than that, many times 5 cents. But I would not want to say how much.

Senator LONG. If 5 cents a barrel were the approximate cost on a $3 barrel of oil, you can see that would be a very small fraction of the total cost.

Mr. BLOUGH. That is correct, assuming the 5 cents.

Senator LONG. The cost of producing oil in Saudi Arabia is only a fraction of what it is in the United States because the oil is near the surface. The profits are fantastic as compared to those arising from operations on the small strata of oil sand in most American wells.

Mr. BLOUGH. That is correct. I would say with respect to the American petroleum industry that the problems of the very short run, of the middle run, and of the long run are somewhat different.

Senator LONG. Do you think it fair for the chemical manufacturers who are exporting seven times as much dollarwise as they are importing, to expand foreign trade at the expense of other industries?

Would it not be fair for them to say, "Senators, cut our tariff. We have more protection than we need; let's bring more chemicals into America and let the people who are getting hurt have a little protection." Would that sound fair to you?

Mr. BLOUGH. Of course the so-called chemical industry, as in the case of most industries, is not a single, homogeneous industry.

The chemical industry is made up of a lot of firms making a lot of different chemicals, and not all of these firms are making chemicals on which they have an export market.

Certainly with respect to the large diversified chemical companies I agree with you. I have been distressed by the fact that the chemical industry has taken the attitude toward protection that it has in general.

Senator LONG. I notice in a statement of the Commerce Department that in the fields of electrical supplies, industrial, and office supplies and printing machinery, these industries would appear to be exporting about nine times as much as they import.

Would it seem logical and fair to you if they came in here and said, "We are ahead as 9 is to 1 on this trade business. We think you ought to remove the tariffs from the goods in which we are predominant on the world market."

Would you say that was fair?

Mr. BLOUGH. Well, I would say one of the problems is the one I mentioned before. We cannot generalize for the printing industry or some other industry. We would need to find out what segment of the industry a company was in.

Those companies which have a fairly broad range of production and are engaged in foreign trade as well, that are exporting some of their items and on other items are protected from imports by tariffs, I would say that such companies obviously ought not to try to have it both ways, getting the benefits of export trade on the one hand and at the same time demanding protection.

But a particular company in one of these industries may be just as badly hurt as in an industry which has no direct connection, another industry entirely.

Senator LONG. That is the thought that occurs to me. As I tried to explain to the Secretary of Commerce, the program should provide for a loosening up on the tightened and a tightening up on the loosened.

I am not sure we will ever obtain a practical program to provide for people who are forced to go out of business.

Mr. BLOUGH. That is very difficult.

Senator LONG. Some suggestions have been made, but I have never seen any enthusiasm for them.

They have never been well received by this committee.

Senator Humphrey proposed something in this field. It does seem to me a man who is driven out of business as a matter of calculated national policy should be protected as a laboring man is when he loses his job.

It seems to me, if we want to try to expand foreign trade, we should do so in areas where an American has more protection than he needs or more exports than imports standing behind the high tariff barrier.

Well, thank you very much.

Mr. BLOUGH. Thank you.

Senator LONG. Senator Carlson?

Senator CARLSON. I don't believe I have any questions.

Senator LONG. Senator DOUGLAS?

Senator DOUGLAS. Mr. Blough, under the present Trade Agreements Act, the President, under the escape clause, can raise tariffs 50 percent above the 1945 level; isn't that true?

Mr. BLOUGH. I think that is the provision, yes.

Senator DOUGLAS. Now under the bill which is now before us, he is empowered to raise tariffs 50 percent above the tariffs prevailing in 1934; isn't that true?

Mr. BLOUGH. As I understand it, yes.

Senator DOUGLAS. At that time, the tariff which prevailed was the Smoot-Hawley-Grundy tariff? Wasn't that the highest tariff in American history?

Mr. BLOUGH. Yes.

Senator DOUGLAS. We have had figures produced at other hearings that under the Smoot-Hawley-Grundy tariff the average rates amounted to 52 percent.

Senator LONG. Might I just interrupt there?

Where did that name "Grundy" come in?

Senator DOUGLAS. Grundy was a participant. He was a Senator from Pennsylvania. Not Mrs. Grundy, but Mr. Grundy. [Laughter.]

To return to the question, the average rate of tariffs at that time amounted to 52 percent.

In 1945 as a result of 1945 tariff, the average rate was 13 percent.

Now part of this, of course, had been caused by the rise in the price level which lowered the tariff on the specific tariffs, of so much per pound or per ton or per yard and so on, but about half of the decrease came from the reciprocal lowering of trade.

Well, now, under the law as it now stands, the President has the power, under the escape clause to raise tariffs to a level of 20 percent; namely, 13 percent and 6½ percent, which equals approximately 20 percent.

But if we go back, as the administration asks, to where he can raise 50 percent above the 1934 levels, he can raise tariffs to an average of 78 percent; 52 percent plus 26 percent equals 78 percent; isn't that true?

Mr. BLOUGH. Not quite, Senator.

Senator DOUGLAS. What is wrong?

Mr. BLOUGH. Because the effect of inflation on the specific rates you mentioned before would presumably not be reversed and you are talking——

Senator DOUGLAS. Doesn't he have the power to raise specific rates?

Mr. BLOUGH. Well, but the specific rates——

Senator DOUGLAS. I see.

Mr. BLOUGH. You mentioned that about half of the change from 52 to 13 percent is from the trade agreements and that the rest of it is from the increase in price level, so the possible increase is not quite as great as you indicated.

Senator DOUGLAS. It is three-quarters as bad as that.

Mr. BLOUGH. Perhaps, roughly.

Senator DOUGLAS. Yes. Well, now, then doesn't this bill, which seems on its face to be a program for expanding trade, have within it the possibility that by Executive order the Tariff Commission and the President can convert it into a program of greatly restricting trade and of approaching the Smoot-Hawley-Grundy Tariff Act of 1930?

Mr. BLOUGH. As I interpret it, yes.

Senator DOUGLAS. What?

Mr. BLOUGH. I so interpret it; yes.

Senator DOUGLAS. Don't you think it would be well to knock out that provision that the President has power to raise tariffs 50 percent above 1934 and retain the present provision of 50 percent above 1945?

Mr. BLOUGH. I do.

Senator DOUGLAS. I am very glad to have you testify to that effect. I, personally, feel this is a great defect of the present bill, and that we are greatly in danger of passing an act which, on the face of it, seems to be in the direction of expanding trade, but which, by the escape clause, by the national-security provisions, by the informal quota agreements which we have imposed on Venezuelan oil, and have gotten the Japanese Government to impose upon their exports, may become an instrument for contracting trade. The reality of this bill may be something entirely different from the words used in its support, and, being a realist, it seems to me that the principle was wise, and that we should not merely give verbal adherence to something which, in practice, can be denied. Do you have any comments to make on that?

Mr. BLOUGH. I find myself in agreement with your statement, sir.

Senator DOUGLAS. Thank you.

Senator LONG. I believe, at the conclusion of this witness' testimony, the Senate committee will recess, and I want to request the Senate for permission for this committee to sit at 2:30 this afternoon. If the consent of the Senate is not given, why, the committee will meet as soon as the Senate adjourns, and continue to hear the remaining witnesses.

Senator Malone?

Senator MALONE. Mr. Blough, your testimony has been very interesting. The thing that is particularly interesting to some of us is that you purport to represent the National Council of Churches of Christ in the United States of America.

Mr. BLOUGH. I was designated to represent the organization; yes, sir.

Senator MALONE. You mean that they are all agreed on the free-trade theory of saving the world?

Mr. BLOUGH. First, this statement does not call for free trade, and, secondly, of course, they are not all agreed.

Senator MALONE. Well, let us take up the first one. I am glad that you say they are not all agreed. Now, you are experienced. What is your present job?

Mr. BLOUGH. I am a professor at Columbia University.

Senator MALONE. I recently attended a meeting of Columbia University's School of Engineers, and I found some very fine men there, and a lot of them who do not go for a lot of this theoretical stuff. I was glad to be there because I had had a wrong impression of Columbia University, that they were all for this billions to Europe and free trade and inflation and all, and I found those engineers pretty rough and tough, like you find them every place. I had been in the engineering business 30 years before I got east of the Potomac for the last 12 years. I had made many trips here. I was State engineer when we built Hoover Dam. Pretty near everybody opposed it but then, after World War II, they said they could not have won it without that dam.

I am very much interested in your theories, because I have a definite idea that in your organization the other side of the argument has very limited representation. I doubt if some of these things we have reviewed this morning reach them completely. We have, they tell me, a higher per capita number of churches in Nevada than any State in the Union, and I am pretty familiar with most of these churches and their heads.

Were you ever in a private business?

Mr. BLOUGH. None of any importance; no.

Senator MALONE. That is interesting. It is peace you are after. That is the thing you are hanging this thing on with the churches. By building these countries up through a division of our markets and money, that it will promote peace. Is that the main theme of this testimony of yours?

Mr. BLOUGH. Excuse me, Senator; I want to find that passage.

Senator MALONE. I read it. It is all right. You must have it in your mind. You have been working at it, according to your testimony, about 15 years. I would rather you would express it in different language than you have there.

Mr. BLOUGH. The language is as follows:

> There will be specific benefit to our national economy because of policies which will increase trade, but, even more, we urge such policies because they can be of much greater benefit to other countries more dependent on trade. Most of all, we support such policies because they represent an important contribution, an important element in the construction of international cooperation which is so essential to building a world of more justice, brotherhood, and peace.

Senator MALONE. I think it is a very fine statement which means nothing at all in the light of the factual evidence. You do not have anything there to support it. It is merely a statement, and I will say to you a very fine statement; if no one ever questioned it and it did do all those things, that would be another thing.

For 150 years, starting in 1789 with the first tariff act, we had a policy in this country of Congress, under article I, section 8, of the Constitution, adjusting the duties, awkwardly at times but generally to make the difference in the effective wages—and I mean by "effective wages" that some producers are not as efficient as others—but the effective wages and costs of doing business in this country and in the chief competing nation on each product, did we not?

Mr. BLOUGH. Are you asking me?

Senator MALONE. I am.

Mr. BLOUGH. I am not aware of that; no, sir; not for 150 years.

Senator MALONE. How long did you serve in the Government?

Mr. BLOUGH. I was in the Federal Government in fulltime employment something over 10 years.

Senator MALONE. That is a terrifically long time not to find out what the policy had been. Do you know what the 1930 Tariff Act provided as the policy before 1934?

Mr. BLOUGH. The 1930 Tariff Act did have the approach you are talking about, but you are going back 150 years.

Senator MALONE. I am. What did the 1789 Tariff Act provide?

Mr. BLOUGH. It said nothing about the point that you have mentioned.

Senator MALONE. Did it not set a tariff high enough so these industries should stay in operation in competition?

Mr. BLOUGH. It didn't say that. The Tariff Act——

Senator MALONE. No matter what it said, did it not do that?

Mr. BLOUGH. The Tariff Act of 1789 was intended to promote industrial development.

Senator MALONE. That is right. You are right.

Mr. BLOUGH. It is an act about 10 lines long.

Senator MALONE. What did it say?

Mr. BLOUGH. I do not recall the language.

Senator MALONE. I will complete the record for you. It was to promote industrial development in this country; was it not?

Mr. BLOUGH. Yes, sir.

Senator MALONE. Well, that is good enough, and we had a tariff like that, awkwardly adjusted at times, because congressional committees were having hearings and trying to figure out what that difference was, and finally when they got together, there are bound to be inaccuracies. Some were too high, some too low. But in general was not the idea to preserve the competition between Americans in this country?

In other words, if you could, as a young man, find a place in the United States of America where you could produce, manufacture, process, or mine any commodity, and you in your best judgment could compete with other Americans, paying approximately the same wages and taxes, and got someone to finance you, you would have been in business, would you not?

Mr. BLOUGH. I suppose so.

Senator MALONE. If your judgment was right, you would have been in business, would you not?

Mr. BLOUGH. I suppose so.

Senator MALONE. Now then, if your judgment was wrong and you could not compete with other Americans, then you failed in business; is that about the principle that we followed for a long time?

Mr. BLOUGH. More or less.

Senator MALONE. Well, you can modify it; but that was the objective.

Now, as I say, sometimes the tariff or duty might have been too high and sometimes too low, because they had to work out better methods as they went along in determining what the difference was, but in general it was an evening process so that you did not have to figure if you lived in Nebraska or Maine how cheap you could produce this material, no matter what it was—textiles, minerals, or crockery—in Syria or Japan, because you knew in general the policy of Congress was to make it competitive in the United States and take the profit out of the low-cost labor at the water's edge. Was that not the general policy?

Mr. BLOUGH. Some people had that idea, yes. It never was possible to put it into effect, really, because the costs in this country range from very high to very low, and the costs abroad range all over the place, and the amount that is paid per hour for labor often has virtually nothing to do with the cost of production, in comparing costs of production in different countries.

So that it was an idea, but it was not an idea which could be made practical, and it never was made practical.

Senator MALONE. It is very interesting to me that you would make a statement like that.

Let me repeat it so we will know it is in the record for keeps. You state that the cost of labor has had nothing to do with figuring the cost of production in this country or in foreign nations abroad.

Mr. BLOUGH. I did not say that; at least I did not mean to.

Senator MALONE. Well, tell it again.

Mr. BLOUGH. I said that the hourly wage paid in different countries, what I would like to ask——

Senator MALONE. You are taking it out now. Of course it is going to be there.

Mr. BLOUGH. I am not taking it out, and it is all right to compare this with that.

Senator MALONE. I want your statement there.

Mr. BLOUGH. The statement, what I meant to say, is this: that in the cost, the hourly wage is only one of a great many factors.

Senator MALONE. Oh, yes.

Mr. BLOUGH. That enter into the picture.

Senator MALONE. That is not what you said in the beginning.

Mr. BLOUGH. I did not mean to say it had nothing to do with it.

Senator MALONE. Go ahead and straighten it out.

Mr. BLOUGH. The hourly wage varies from country to country; it varies inside this country. The cost of production is affected, obviously, by the hourly wage, but it is affected by many other things.

Senator MALONE. Name them.

Mr BLOUGH. First of all, by the intelligence of the worker, by his industry, the continuity of his performance, his staying on the job; by the capacity of the management, its ability to make the best use of the worker; by the availability of raw materials, and the prices at which those raw materials can be secured; by the type of capital equipment and the technology; by the size of the market which is able to be reached by this industry; by the policy of competition or monopoly which exists in the country.

These all enter into the picture.

Senator MALONE. You are certainly entirely correct.

Now let us see if you agree with this: Since 1945, after World War II, we have furnished various foreign nations approximately $70 billion to buy new machinery, establish plants and mines and processing.

We have sent men there who are supposed to be competent, to show them the latest know-how in the industry. And we have $50 billion of American private capital invested in these foreign nations since World War II. And that the last plant built in the world—no matter whether it is in Syria, Siam, Chile—is the best in the world of that particular kind of plant because it is the latest one. Do you know all those things?

Mr. BLOUGH. No; not all of those things, Senator.

Senator MALONE. I am happy to give you the news, because that is the way it is.

Now I have traveled into every nation of the world. I thought I had to see all our star boarders so I would not fall into these traps.

I was in Chile a couple of weeks, in northern Chile, at the last copper refinery of any size that has been built in the world. And do you know where the best refinery in the world is? It is in northern Chile, because it was the latest one.

Do you know where the best one is going to be in the next 2 or 3 years?

Mr. BLOUGH. Yes. It is going to be in southern Peru.

Senator MALONE. Southern Peru, because it is going to be the latest one.

So every nation in the world, no matter where it is located, has the latest American machinery, if that is the best, and it not always is, and the latest know-how. They take 2 to 5 or 7 percent, if it is necessary, of trained workingmen from the industry here to these countries, and they train the other workingmen who get 50 cents a day to $2.50 or $3 a day. And with only a few exceptions, those workingmen, generally speaking, are just as efficient as anybody else, and the wages they pay them oftentimes do not equal the social security and industrial insurance paid to our workingmen in this country. Is that correct?

Mr. BLOUGH. Part of what you say, I know, yes.

Senator MALONE. Well, you will know the rest of it if you will do a little studying. It ought to penetrate even Columbia. And I am sure if you consult these engineers that I know up there, it will penetrate pretty quick. They do not like it, either.

I am very fond of that engineering school in Columbia, and I learned a lot about Columbia. I learned there was a dividing line there between theory and practicality. You have one of the finest engineers there in nuclear energy. I am going to have him out at the University of Nevada to make a talk if we can get him.

We have just got a subcritical nuclear reactor we have been working for some time to get. Now these are the latest in the world, these power reactors. Do you suppose that the reactor 50 miles out of Moscow lacks any of the things that we have in a reactor in the United States?

Mr. BLOUGH. I haven't the slightest idea.

Senator MALONE. Well, I do. I was there and looked at it. I also met two of the Russian engineers, and met for the first time with 2 or 3 of them, with the same number of American scientists, in Geneva in 1955 just by accident. I think I was the only extra man or one not officially in the conference in that glass cage with them when they started to talk for the first time.

Then I went to Moscow and went out to this plant and met one of the Russian scientists there that I made the acquaintance of in Geneva.

So this old stuff that is being put out by college professors all over the country, very liberally up until the last few years (we have stopped most of it, I am glad to say) that with our know-how and our machinery we can compete with anybody is just that, and you would do yourself a favor and Columbia University a favor if you would study the background of industry in the world today as it is now practiced.

Mr. BLOUGH. I have been studying it, Senator.

Senator MALONE. Then your testimony did not show it.

Mr. BLOUGH. That is regrettable.

Senator MALONE. I am sorry to take this time, because if your testimony had reflected that this is all available with the money we are giving these nations, then I would not have asked you a question on that particular thing.

Now, that takes out everything that you have mentioned here except the raw materials and the workingmen.

When you finally come down to this thing you do not instigate an industry in another nation or in this Nation when the raw materials are not available and the markets are not available.

Their markets are not available at home; they have to take part of ours because they are already producing in a lot of instances more than they can consume at home, and every nation in Europe, almost without exception, has to sell something to somebody else in order to maintain the standard of living to which they would like to become accustomed.

There is no market but ours, and that is what we are dividing under the act for which you have come all this way to testify—and we are happy to have you—to say that the churches of America are for dividing the United States market with the other nations in the world.

Now, to get to the raw material. Where do we have an iron industry? I went to Bolivar Mountain in Venezuela. It is an inverted mine. It is something like the copper pits, only it is a hole in the ground, and you see the steam shovels going around the top of this mountain. It is all iron, around 60 percent, with low phosphorus, a terrific thing. So they have an iron industry.

"hen the largest manganese deposit that I know of is on the Amazon River. I sent my engineers in there in 1954. It took them 14 days to get in and out. But now they have airports. On the Amazon they have deepened the channel, made ports there, and they are shipping the manganese here and shipping the iron ore there. They are going to have an iron industry over there, and there is not a piece of machinery on the job that is not as good or better than our plants, because they are later plants.

Do you believe that?

Mr. BLOUGH. That I believe.

Senator MALONE. Why, of course.

So when you finally came down to it—and I heard the acting chairman of our committee asking this question a while ago—do you know what the transportation costs are? It is very low water transportation. There is no difference in the cost of an article laid down in New York port or San Francisco port except the low water transportation.

And then if there is any difference—such as in South Africa, where it would take 4 or 5 of those colored boys to make 1 good Irishman working, you can pay them the going wage and still have $20 left.

Is that not what you call comparative labor costs? Is that not what we are talking about?

Mr. BLOUGH. You are talking about comparative costs, really. An executive may be a better secretary than his secretary——

Senator MALONE. What kind of an executive do you think they have on Bolivar Mountain?

Mr. BLOUGH. But he can afford to hire a secretary and pay her less, even though he is better than she is.

And if we can hire other countries to do things for us cheaper than we can do them ourselves, we certainly have a substantial advantage in that.

Senator MALONE. Now I think you and I are going to do business. You are, then, for producing an article, whether it is oil, iron ore, cotton, or anything else, in any country in the world where, with our machinery and know-how and using the lower cost labor, you can bring it in here for our consumers at a cheaper price; are you not?

Don't tell me you are not, because then we would have to get into this thing all over.

Mr. BLOUGH. I would say that I am not, in the first place, a free trader for various reasons.

Senator MALONE. I did not ask you that. Will you answer my question?

Mr. BLOUGH. Yes; I am going to answer your question, Senator.

Senator MALONE. All right.

Mr. BLOUGH. I am not a free trader.

Senator MALONE. I did not ask you that. Answer my question.

Mr. BLOUGH. And, therefore, I could not logically give a firmly "yes" answer, because a man who would give a firmly "yes" answer to your question would have to be a free trader and be in favor of no tariffs.

Senator MALONE. Give me a specific answer in words of one syllable.

Mr. BLOUGH. I would say my answer to your question is this: That if goods can be produced comparatively more cheaply in other countries than in the United States, it is to our advantage economically and industrially, as a general principle, although not in every specific case, for us to buy those goods, because we will be selling them goods, too. Our consumers will get goods cheaper, their consumers will get goods cheaper, their income will rise.

As their income rises they will buy more goods abroad, and we will get larger markets as their economies thrive.

Senator MALONE. It sounds like Mr. Hauge talking. Do you know him?

Mr. BLOUGH. I know Mr. Hauge. I regard him very highly.

Senator MALONE. I do, too. I think he is one of the finest men I know; and knows less about what he is doing than anybody I know. We will have him here I hope.

Now, what you have just said is that consumers of the United States are entitled to the lowest costs that they can get; if anywhere in the world we can find a place where we can buy the consumer goods cheaper than we could make them, we should allow them to come in and the consumers then benefit from that operation.

Mr. BLOUGH. With certain exceptions; yes.

Senator MALONE. What are those exceptions?

Mr. BLOUGH. Well, this is going to be a long story, Senator.

Senator MALONE. You go right ahead. I am sorry that we do not seem to have much time here, but it is important to know what you are driving at.

Mr. BLOUGH. I will say the exception——

Senator MALONE. It is also important, I want to say to you, that the people you represent know what you have said here.

Mr. BLOUGH. Of course, I want to make it very clear, Senator, that you are asking me now not on behalf of the National Council of Churches, but as an individual.

Senator MALONE. No; in some way or another there should have been some evidence put before these fine people——

Mr. BLOUGH. This evidence was before them, Senator.

Senator MALONE. On both sides of the question. So when I ask you these questions, you are answering for these churches.

Mr. BLOUGH. No, sir; we must make it very clear that when you are asking me these technical questions, I cannot——

Senator MALONE. These are not technical questions, but just horsesense questions, to find out how you arrived at this statement you made.

Mr. BLOUGH. I did not arrive at this statement for the national council. I read part of the statement for the national council.

Senator MALONE. Their resolution. But what did they base it on?

Mr. BLOUGH. They based it on a great deal of discussion by a large number of laymen and ministers to whom were presented the materials that you have been mentioning and that I have been mentioning.

Senator MALONE. Did you recommend these resolutions?

Mr. BLOUGH. I was not personally a member of this particular group.

Senator MALONE. Who were some of the ones who were members? Technicians and economists? Could you, just for the record, let us know who is advising these good folks?

Mr. BLOUGH. Well, I will have to give you—I will have to give you only a limited list of names.

Senator MALONE. That is all right. Maybe you can supplement it.

Mr. BLOUGH. I can furnish you a complete list, if you would like.

Senator MALONE. That is what I would like.

Senator LONG. I would like to interrupt you for just a moment.

The committee agreed that we would limit each Senator to 20 minutes.

Senator MALONE. I was not here when you made that agreement.

Senator LONG. I announced we would recess for lunch and return at 2:30. If you would like to, I suggest that you preside and conclude the examination of this witness.

Senator MALONE. That suits me fine.

Senator LONG. Let me ask if Mrs. Oslund has returned to the room. Is she here?

(No response.)

Senator LONG. She is not. When the committee meets at 2:30, we will hear the testimony of Mr. Reuben Johnson.

Senator MALONE. Following this witness.

Senator LONG. In that order. I would assume, Senator Malone, you would have concluded your questioning of this witness——

Senator MALONE. Yes.

Senator LONG. By the time we meet.

Is Mr. George Dietz here? I have the list of the order in which the witnesses will be called, and they may consult us.

Senator MALONE (presiding). What was the last question I had propounded?

(Question read.)

Senator MALONE. You will complete the list of names so far as you can today, and then supplement it for the committee. I would appreciate that. Send me a copy of your letter to the chairman, if you will.

Mr. BLOUGH. I would be very glad to, Senator.

(The information referred to follows:)

A LIST OF MEMBERS OF THE DEPARTMENT OF INTERNATIONAL AFFAIRS' GENERAL COMMITTEE, NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE UNITED STATES OF AMERICA

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Vice Chairman: Dr. Ernest S. Griffith
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Executive Director: Dr. Kenneth L. Maxwell

Arkush, Mr. Ralph M.
Blake, Rev. Eugene Carson
Bonell, Rev. Harold C.
Brawley, Dr. James P.
Calkins, Rev. Charles L.
Hoffman, Rev. J. E.
Jensen, Rev. Alfred
Kaebnick, Rev. H. W.
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Land, Rev. John S.
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Merwin, Rev. Wallace C.
Ranson, Rev. Charles W.
Rycroft, Rev. W. Stanley
Scott, Dr. Roland W.
Shacklock, Dr. Floyd
Swain, Mrs. Leslie E.
Tucker, Rev. Theodore L.
West, Rev. Donald F.
Yoder, Rev. Howard W.
Browne, Rev. Benjamin P.
Chappel, Rev. Nelson J.
Crill, Rev. Edward
Earle, Rev. Clifford J.
Flory, Miss Margaret
Hosie, Rev. Laurence T.
Keir, Rev. Harold B.
Stowe, Rev. David M.
Buckle, Mr. Robert
Nielsen, Mr. Helmar
Langton, Mr. Stuart
Whitney, Miss Janet
Wood, Rev. John S.
Burry, Mr. Allan J.
Ellis, Mr. William
Poitras, Mr. Ed
Wieser, Rev. Thomas
Burr, Rev. Hugh Chamberlin
Dana, Mr. Ellis H.
Jervey, Mr. Charles P.
Peters, Rev. Raymond R.
Herron, Rev. Carl V.
Brooks, Mrs. Wright W.
Cowin, Mrs. Clifford C.
Hymer, Mrs. Esther W.
Martin, Mrs. George
Sayre, Mrs. Francis B.
Hammerschmidt, Mr. Louis
Reisig, Rev. Herman F.
Smeltzer, Rev. Ralph E.
Taylor, Rev. Daniel E.
Thomas, Rev. John W.

Senator MALONE. Do you have an organization here in Washington? Do you maintain offices here?

Mr. BLOUGH. There is a Washington office here for observation and to get information.

Senator MALONE. You mean just to observe Senators and Congressmen?

Mr. BLOUGH. Well, it is a service office to the main office, which is in New York.

Senator MALONE. Can a Senator or Congressman inquire from them at any time for information relative to the organization? Are they here for that purpose?

Mr. BLOUGH. Oh, surely.

Senator MALONE. They have a secretary and a director?

Mr. BLOUGH. They have somebody on the staff.

Senator MALONE. Who is the director?

Mr. BLOUGH. Well, I am not too familiar with this Washington office.

Senator MALONE. You just furnish it for the record. I do not want to waste the time of the committee or your time.

Mr. BLOUGH. I would be very glad to, Senator.

(The information referred to follows:)

Staff members of the National Council of Churches' Washington, D. C., office, 122 Maryland Avenue NE., Washington, D. C.:

Assistant General Secretary: The Rev. Fred S. Buschmeyer
Assistant Director: Miss Nadine Blair

Senator MALONE. I want to ask you 3 or 4 questions here which should not take very long, which I believe not only you, if you are not familiar, but your membership throughout the country should know the actual condition and what your answer is.

First, I will ask you this: Do you know the Constitution of the United States pointedly separates the regulation of the national economy through the adjustment of the duties, imposts, and excises that we call tariffs, and the regulation of foreign commerce—it pointedly separates that field, in a separation of powers in the three branches of Government, from the fixing of foreign policy?

Mr. BLOUGH. I am familiar with the Constitution, if that is your question, Senator.

Senator MALONE. Well, do you know that?

Mr. BLOUGH. The form——

Senator MALONE. If you do not—or do you?

Mr. BLOUGH. The direct responsibility for setting import duties is on Congress, and the direct responsibility for carrying on the foreign policy of the United States is on the President.

Senator MALONE. That is right.

So the Constitution pointedly separates them, does it not? Article I, section 8, says that the Congress shall—it does not say "maybe"—regulate foreign trade, foreign commerce, shall adjust the duties, imposts, and excises; does it not?

Mr. BLOUGH. Yes.

Senator MALONE. Then that regulates the national economy; does it not?

Mr. BLOUGH. To the extent that this is a regulation of the national economy, yes.

Senator MALONE. Why, of course.

And the regulation of the imports always has had perhaps the major part in regulating the national economy; has it not?

Mr. BLOUGH. I would question that, sir.

Senator MALONE. Well, if you———

Mr. BLOUGH. I would say other powers of Congress are perhaps more important than this one.

Senator MALONE. Well, powers of Congress. But the legislative branch is charged with the regulation of the national economy.

Mr. BLOUGH. The regulation of the national economy does not appear in the Constitution, but the powers of Congress as specified in the Constitution certainly are the major powers with respect to regulating the economy.

Senator MALONE. You knew your Columbia language would be even better than mine, and I do not boast about my language. I have used it in the engineering business for 30 years, but nobody ever misunderstands me. I will go that far with you.

Now, if that is the case—that is in article I, section 8, that major provision; is it not?

Mr. BLOUGH. It is my recollection; yes.

Senator MALONE. Well, nobody reads the Constitution any more. If you go downtown to buy a copy of the Constitution, the chances are that a clerk will look at you in amazement and take it on order.

There is a sound barrier on the Potomac, and, I think, on the Hudson, that no public sentiment ever penetrates, and if you stay east of the Hudson or east of the Potomac for 60 days without getting your feet on the ground out there someplace where they earn these taxes that we levy all the time, and raise almost all the time, in my opinion, you are not even competent to discuss what the country is talking about, because you just do not know except theoretically.

There is no question but that theoretical free trade is right, and I am for free trade on the basis that the Constitution sets down, of regulating the duty or tariff to make the difference in the costs of production. It is called an evener—that is not the word, but that is about what it means in the tariff act—to make the difference in effective labor costs and the cost of doing business here and in the chief competing country, and that is what the Tariff Commission was charged with in 1930.

Mr. BLOUGH. I believe so.

Senator MALONE. And to lower it they could examine it every month, every year, every 6 years, whenever they had reason to believe the relationship had changed. And if the chief competing country had raised its standard of living, labor and costs, the Tariff Commission could lower it.

Mr. BLOUGH. I believe they had that power.

Senator MALONE. It was not within their power at all. They were directed to do it.

Mr. BLOUGH. Well, it was, more or less, a discretionary power on their part.

Senator MALONE. It was not discretionary. It says they "shall" examine it.

Mr. BLOUGH. Yes.

Senator MALONE. It is only discretionary when they examined it. But when they examined it—they could do it by their own motion, or at the request of the Congress, the President, or by you, as an exporter or importer, but when they examined it they had no discretion, did they?

Mr. BLOUGH. They had the discretion to make the findings, and their findings determined their action, presumably.

Senator MALONE. They had a discretion like the Supreme Court, did they not, that what they found to be the facts, what they found to be the law, that is what the decision was supposed to be.

Mr. BLOUGH. Yes; that is right.

Senator MALONE. All right.

I could write a book about it, too, but when you are going right down to it, you do not need a book. The law is as I said it was. They are to determine the difference, not the high cost or the low cost, that is all poppycock, but the reasonable costs.

And our Tariff Commission consists of people who know how to do it. Sometime you ought to talk to Mr. Brossard, one of the men who has been on there the longest. He knows what he is doing, and they have an organization that knows what they are doing. But we do not let them do it. The 1934 act dehorned them. They have no more authority than my grandson, and he is 8 years old. That is clear, is it not? And you know that, do you not? They have no authority at all now.

Mr. BLOUGH. It depends on what you mean by "authority."

Senator MALONE. They do not——

Mr. BLOUGH. They do not have the last word.

Senator MALONE. They do not have any authority to put what they find into operation.

Mr. BLOUGH. The President puts it into operation.

Senator MALONE. He does not put it into operation. That is what I am getting at. He can, if he wants to, but he does not do it, and the record shows, as far as your escape clause is concerned, they do not escape anything of any magnitude. The peril point can be killed; by juggling foreign currency in terms of the dollar, you can kill the peril point in 24 hours, can you not? You are an economist.

Mr. BLOUGH. I do not quite see how the peril point enters into this picture.

Senator MALONE. It does not, really, but that is all the Tariff Commission can do when they are asked to do it.

Mr. BLOUGH. Well, the Tariff Commission I do not believe really is dealing with the peril-point provision, Senator, in these escape-clause cases. The peril-point provision, as I recall it, is a provision by which the Tariff Commission can give advice to the negotiating officers of the State Department with respect to the industries which are in difficulties, and the State Department is then, more or less, warned not to negotiate lower rates for those industries.

Senator MALONE. Well, you are putting a lot of nice language in saying it is not there.

Mr. BLOUGH. But the escape clause is really the one that the Tariff Commission works with.

Senator MALONE. Is it your understanding——

Mr. BLOUGH. It is my understanding.

Senator MALONE. It may be your understanding, but it is a misunderstanding. They work with the peril point, too, and, when they are asked by the President of the United States or a committee of Congress, they determine what losses at a certain point would endanger that industry.

Mr. BLOUGH. Yes; I see what you mean.

Senator MALONE. Then what happens? They have no authority to put it into operation, do they?

Mr. BLOUGH. That is correct.

Senator MALONE. That is what I asked you a while ago.

Under the Tariff Act of 1930, and there had been progression over the years; I think by 1915 they set up a Tariff Commission as an agent of Congress to carry out their work, but the last tariff act, the last law is always the one you go by, because it is the most highly developed, and so on. The 1930 act says, and I will correct the language so that it is technically correct, that, when they make this examination, they determine the cost of producing an article in this country and the cost of producing that article or a like article in the chief competing foreign nation, and recommend that difference to be the tariff.

Do you remember about that?

Mr. BLOUGH. Yes; I think that is correct.

Senator MALONE. They then can take that up on their own motion, upon the request of a consumer or a producer or any interested party, is what it says, and, of course, the President, the Congress, or almost anybody, for any reason. And they could do that the next day, or in 6 months or 6 years, could they not?

Mr. BLOUGH. I believe so.

Senator MALONE. And, according to their judgment, if they think the relationship between the costs of the chief competing nation on a protected product and our own had changed, then they could readjust it, up or down, could they not?

Mr. BLOUGH. That is my recollection.

Senator MALONE. Were they directed to do that?

Mr. BLOUGH. I think so.

Senator MALONE. They were. That is a fact. Now, then, if every nation were living about like we are, free trade would be automatic, would it not?

Mr. BLOUGH. No.

Senator MALONE. In that particular product.

Mr. BLOUGH. You mean under this particular provision?

Senator MALONE. Well, under the law to which you would revert if you do not extend the 1934 act.

Mr. BLOUGH. But the Tariff Commission was operating within limits. It could not put an article on the free list as a result of this.

Senator MALONE. We, Congress, determine that, do we not?

Mr. BLOUGH. That is right.

Senator MALONE. So, if Congress wanted to amend it tomorrow, they could do it.

Mr. BLOUGH. Oh, yes; surely.

Senator MALONE. They are also limited to 50 percent up and 50 percent down; but, at that time, under the statutory rate, it was probably plenty of room for our keeping abreast of the changes.

Now, with the dollar worth 48 cents, according to testimony here of the officials, and in my opinion probably about 35 cents, any fixed tariff is lowered in relation to the inflation, is it not?

Mr. BLOUGH. Those that are specific rates and not ad valorem rates; that is correct.

Senator MALONE. That is right.

Well, you agree with me that a fixed rate is lowered in proportion to inflation?

Mr. BLOUGH. If you mean, by a fixed rate, 10 percent; no. If you mean, by a fixed rate, 2 cents——

Senator MALONE. I am talking not about ad valorem rates, but about a fixed tariff.

Mr. BLOUGH. You are talking about specific rates?

Senator MALONE. Yes.

That means, in other words, it is lowered in accordance with inflation.

Mr. BLOUGH. Yes, surely.

Senator MALONE. Then, with the dollar being worth somewhere between 35 cents and 48 cents, 35 to 48 percent of what it was worth at that time, all fixed tariffs have been lowered in proportion, have they not?

Mr. BLOUGH. Yes; unless some step has been taken to raise them, they have been lowered proportionately.

Senator MALONE. Do you know of any where steps have been taken to raise them?

Mr. BLOUGH. No, except for a few in the escape clauses.

Senator MALONE. About three, and they did not amount to anything, like clothespins in southern Maine. I mean over to the overall economy.

Now, then, on that basis, whenever they were living about like us and their expenses and their costs were comparable, it would be free trade on that product; would it not?

Mr. BLOUGH. You mean if Congress took away the limitations?

Senator MALONE. Why, yes, or if they did not need the limitation. The limitation would work if they began to raise their standard of living. They probably would come within the 50 percent because, you see, if you do not extend this act it dies midnight June 30, and then within 2 months' notice to the nations party to multilateral agreements, all those products revert to the Tariff Commission, as an agent of Congress. With 6 months' notice to the bilateral treaty nations, all the parties to the agreement revert to the statutory rate.

You understand that, too; do you not?

Mr. BLOUGH. Yes.

Senator MALONE. Well, perhaps the 50 percent might be all right if these nations begin to pay attention to their own economy and let their wages go up and create a market in their own country; might it not?

Mr. BLOUGH. The basic reason their wages do not go up is because their people are not sufficiently productive.

Senator MALONE. Well, of course, there all you have to do is examine the record. They produce just as much copper and just as much of many other products. I just got through examining on that basis. And you admit if they work as hard in Japan, they produce more.

Mr. BLOUGH. With respect to specific types of production, that is quite correct.

Senator MALONE. Why, of course. In other words, if the workers are comparably competent. And they do not make an entire pound of copper, they each do a certain specific thing. I worked in a mill and was no better than a green hand while I was in college. I did not know why litmus paper turned a certain color, but the foreman told me that it would when I added certain acids. So I did not have to know that and he did not have to hire a college man and pay him $500 to $600 a month. He hired me at $4 a day, and I could do just as well as anybody could then, if I was told just what to do.

Mr. BLOUGH. But, Senator, even if each country had the same level of wages and the same standard of living that we did, there would still be reason for trade and there would still be——

Senator MALONE. Why, of course.

Mr. BLOUGH. There still would be industries right in here fighting for protection.

Senator MALONE. You think so?

Mr. BLOUGH. Yes.

Senator MALONE. Well, it isn't so.

Mr. BLOUGH. We cannot prove it.

Senator MALONE. Of course you cannot, and that is the kind of poppycock that is put out all over the country by Columbia and other universities.

Mr. BLOUGH. Senator, I am sorry you call logic poppycock.

Senator MALONE. That is not logic. Nobody is objecting to Canada about 15 percent. If they raised that other 15 percent in costs, anything that comes under that heading would be free trade, and nobody would pay any attention to it.

But you cannot compete with $2 a day labor that uses our machinery and has our know-how and everything else.

Mr. BLOUGH. But we sell more than we buy, Senator, even with our high labor.

Senator MALONE. Do we?

Mr. BLOUGH. Yes, we do.

Senator MALONE. All right, I will refer you to a table which I put in the record on Saturday when Mr. Dulles was here. It shows that when you deduct the amount of money we have given these nations, $70 billion since World War II, and deduct the subsidies that we pay to sell our surplus products—and you must know we are doing it—that we are exporting a lesser percentage of our exportable goods in money amounts today than we were in 1934 when we passed the act.

Now that table is in this record, and when you get it I wish you would just take your Columbia professors and sit down and write me a letter.

Mr. BLOUGH. What do you want me to put in the letter, Senator?

Senator MALONE. I want you to tell me what you think, and you use the words that you think are appropriate.

Mr. BLOUGH. All right, I will be glad to do it.

Senator MALONE. And don't spare the horses, because I do not get you fellows here very often, and I want you people to know what you are testifying to and what the effect of it is, and that is that the President of the United States under this act has the authority, as testified by Secretary Dulles, and I guess you would agree with him, to trade a part or all of an industry to a foreign nation if he thinks it will further his foreign policy. And you agree with that; do you not?

Mr. BLOUGH. I think that is correct, within the limits set by Congress, which are rather narrow.

Senator MALONE. Not very narrow. First you had a 50 percent lowering of the tariff, the second time you had another 50 percent, and then 15 percent at 5 percent a year, and now 25 percent, of course that means 50 percent of what is left, 15 percent of what is left, 25 percent of what is left. They are not very narrow; are they? At least in proportion that they teach at the University of Nevada. I do not know for sure about Columbia.

But I think when you think it over, you will change your mind.

If that is established, and I guess it is, you do know, do you not, that in the rules and regulations of GATT—General Agreement on Tariffs and Trade—no nation has to keep its part of the agreement as long as they can show they are short of dollar balances? And I do not have to explain to you what dollar balances are. Do you know if that is in the agreement?

Mr. BLOUGH. Well, the general agreement does have certain escape provisions in it. Some of them we have taken advantage of, and some of them——

Senator MALONE. What are they?

Mr. BLOUGH. Well, the agricultural products, we have taken advantage of.

Senator MALONE. We are giving them the agricultural products and paying the difference between the support price and a little less than the world price. As Senator Long, I think, said, and I know Secretary Benson is awfully worried, whenever we go in and take that market, it makes a lifelong enemy of the people who had been furnishing the market. I guess you have some idea of that proposition, too.

Mr. BLOUGH. Yes. That is another problem.

Senator MALONE. So we just upset the whole applecart when we try to get rid of something that we bought at twice what it cost to produce.

Mr. BLOUGH. But to come back to your question, it is quite correct if a country finds itself in foreign-exchange difficulties, it can introduce—or maybe I had better say reintroduce import quotas. It cannot change its tariffs.

Senator MALONE. It does change his tariffs.

Mr. BLOUGH. I am sorry, Senator, but I do not think so.

Senator MALONE. I might be wrong about that. But if an import quota is put on or an import permit or exchange, or a manipulation of money value in terms of the dollar, what else do you need?

Mr. BLOUGH. If I might go a little way around in answering that question.

Senator MALONE. You go around. I will be very much interested in it.

Mr. BLOUGH. You know how the general agreement came into existence, of course.

Senator MALONE. Well, how did it? I am very much interested in that business, too.

Mr. BLOUGH. You see, as you know, of course, the Reciprocal Trade Agreement Act was passed——

Senator MALONE. Did you ever find "reciprocal trade" in any of the acts of Congress that was ever passed?

Mr. BLOUGH. Anyway——

Senator MALONE. Did you ever find it?

Mr. BLOUGH. In 1934.

Senator MALONE. Did you——

Mr. BLOUGH. I did not catch your question.

Senator MALONE. Did you ever find "reciprocal trade" in the original act or any subsequent act that Congress passed?

Mr. BLOUGH. No, I do not think so.

Senator MALONE. Well, that is pretty good. It was sold to the Nation in propaganda east of the Potomac and the universities that are all out for world trade without waiting for the standards of living to reach a similar level.

Mr. BLOUGH. Well, the procedure is a reciprocal procedure.

Senator MALONE. But it is not. I can show you that it is not, if you want to revert to it; I can show that I have been in every nation and I have every nation's regulations, and I am here to tell you they all have import quotas. They all have import——

Mr. BLOUGH. So do we, Senator.

Senator MALONE. What is that?

Mr. BLOUGH. So do we.

Senator MALONE. Exchange permits and import permits. We have have very few. But whenever they can show they are short of dollar balances, they are entitled to do all that, and do do it, and there is no nation on earth today that is following the free-trade spectacle except us.

Ours are the markets and the pot being divided over there, not anybody else's.

When we export anything we pay the difference between the world price and the cost. We are talking a lot about automobiles. I know a little something about that. Our own automobile people own many of those foreign plants now. Ford had 26 or 27 foreign plants 3 or 4 years ago when I enumerated them on the Senate floor.

They are using cheap labor and bringing their automobiles in, which is all right with me. Congress is to blame. Ford is not to blame. I do not blame any producer, any consumer, anybody. I blame Congress for making it profitable.

You talked about the consumer a while ago. Every example we have such as mercury during the war, whenever your people go out of business here, then the importer takes what the traffic will bear and the consumer does not get the advantage.

I do not know whether you have ever investigated that, but I recommend it as a study by Columbia University.

Mr. BLOUGH. May I continue to answer that question about the general agreement?

Senator MALONE. Yes.

Mr. BLOUGH. After the war, the trade of the world was in such terrible shape with import quotas, tariffs, restrictions, exchange controls, everywhere, and with trade broken down to practically nothing, that it was obvious that the gradual negotiation of bilateral agreements was not going to get anywhere. And so, this country took the initiative to try to reduce these import quotas, to try to reduce discriminations, including discriminations against United States products, and to try to get more orderly trade.

And I would say that the General Agreement on Tariffs and Trade has been a great success and has had great benefits to the United States in making the world trade picture so much more orderly than it was before. And when I said you perhaps should say reintroduce import quotas rather than introduce them, I had reference to the fact that almost every country is much freer in its trade today than it was after the war before the general agreement's operation started, and that it is only from time to time that specific countries find themselves in difficulties.

I would say that if we had the Organization for Trade Cooperation in existence, it would be harder for a country to impose import quotas and exchange controls. At the present time, we do not have very good machinery there. It is necessary to wait until the next time the contracting authorities meet before considering the justification for the act of the country that imposes import quotas, and if the GATT disapproves, it may lead to reprisals by other countries, and that is something which countries take into account.

Another problem is that a country can get around its general agreement obligations by imposing exchange controls.

Now, exchange controls are in the jurisdiction of the International Monetary Fund, and at the present time there is no way in which the authorities of the general agreement and the authority of the International Monetary Fund can get together quickly and decide that a country has been playing one off against the other.

If we had the Organization for Trade Cooperation, there could be daily or weekly or monthly, whatever it took, meetings between the International Monetary Fund authorities and the OTC authorities, and they could keep countries from discriminating in the way which you mentioned when that discrimination really was not necessary under the economic circumstances of the country.

Senator MALONE. Suppose it is necessary, if they are short of dollar balances, until they divide our markets and wealth so we are all living alike. That would be the only time when they could not show they were short of dollar balances.

Mr. BLOUGH. Well, some countries are not short of dollar balances.

Senator MALONE. Is that so? If you will give us a list of the ones that have not been short and we have not given them money, I would be very happy to have them in the record. Could you do that?

Mr. BLOUGH. Of course, this last condition, that we have not given them money makes a difference, because we have given almost every country something.

Senator MALONE. Why, of course, we make up the difference, and the dollar shortage was the greatest hoax sold to this country. You and I have that; I assume you have, I know I do. It is because you spend some month more than you make. Now, a nation can have it that way, too.

Mr. BLOUGH. That is true.

Senator MALONE. They can have it if they fix the terms of their money higher than the market price so they have a shortage, and that is their dollar shortage in a lot of cases.

The International Monetary Fund is very interesting to me. Was that not Mr. White's organization?

Mr. BLOUGH. Harry White was a member of that organization.

Senator MALONE. Harry Dexter White set it up for us; did he not?

Mr. BLOUGH. No, not "set it up."

Senator MALONE. Well, I beg your pardon. I would rather you look into that before you say "no."

Mr. BLOUGH. Harry Dexter White was one of the American negotiators at the Bretton Woods Conference.

Senator MALONE. Was he not Assistant Secretary——

Mr. BLOUGH. He was Assistant Secretary of the Treasury, and this was an international treaty, and he had something to do with it, of course.

Senator MALONE. And he led it over there for us. He was one of the finest traitors, one of the best we ever produced; was he not?

Mr. BLOUGH. I have no opinion about that.

Senator MALONE. I guess Alger Hiss——

Mr. BLOUGH. I have no opinion about Harry Dexter White.

Senator MALONE. But I do. I say that. I recommend the investigations we made in the Interior and Insular Affairs Committee for your study, Senate Report 1627, on the accessibility of strategic and critical materials to the United States at time of war and for our expanding economy. That was in the 83d Congress and published in 1954.

The second one was on the economy of the 42 nations and entities of the Western Hemisphere, that I think we will swing to more and more as time goes on, because it is our trade future, if we have any—one-third of the land area of the world, and about 350 million people, with room for a billion without crowding anybody. You can defend it from North America by expanding that old Monroe Doctrine out there someplace where men like General LeMay think our security would be threatened if someone tries to establish their form of government economically, militarily, or politically.

It might be we will get closer to that as we get into more trouble abroad.

Now that second one was of the 84th Congress, Senate Document 83. They are available at a very nominal cost at the Government Printing Office, about a dollar apiece, I think. I recommend them for your study.

It was Mr. White and the Alger Hiss crowd who took it over pretty quickly, that first advocated this thing, and then Mr. Acheson came along. I quoted him once before. There is no use doing that again. But he said it is no longer possible to separate the regulation of the national economy from the foreign policy.

But the Constitution of the United States definitely separates them. You agree to that? Or do you? I think you did.

Mr. BLOUGH. Well, I refer to the previous testimony.

Senator MALONE. Yes. But he says it is no longer possible.

Then Willard Thorp, Assistant Secretary of State, came along. He is probably teaching in some university now, carrying out his theories.

He stated that three things were an inseparable base to this business. The International Trade Organization to make permanent the General Agreement on Tariffs and Trade; the Marshall plan—the billions to Europe that Mr. Dulles testifies now must be permanent—billions to Europe and Asia to make up their dollar balance; that is, the amount they expend beyond their income or the difference in terms of the dollar of what they say their currency is worth and what it is actually worth; and the 1934 Trade Agreements Act.

Those were the three things that Willard Thorp said were inseparable and necessary. Do you agree?

Mr. BLOUGH. Let's see, the three were the——

Senator MALONE. Well, the OTC is the same as the International Trade Organization; that is, the objective is the same for Congress to approve GATT.

Mr. BLOUGH. OTC is a piece of the ITO, that is true. The ITO, the Monetary Fund and the Trade Agreements Act, those three?

Senator MALONE. No. The OTC, because the objective is the same—the billions to Europe and Asia, and the Trade Agreements Act, with the so-called virtues of free trade, which I will get into with you pretty soon. And when you reduce the tariff 1 or 10 percent below what is the actual difference in production costs then it means you must reduce your wages and costs of doing business or taxes, to meet it, or lose part of the business.

You will agree to that, I guess.

Mr. BLOUGH. All right.

Senator MALONE. Then the three of them are necessary? Do you think so?

Mr. BLOUGH. I think at the time that testimony was given, which I think you said was 1949, I think that was quite correct, that they were.

Senator MALONE. What are we following now?

Mr. BLOUGH. We are giving very little money for purposes of meeting foreign exchange difficulties.

Senator MALONE. What is it for?

Mr. BLOUGH. To begin with, we are giving very little to Europe except for the military defense, the security program there. That is a matter of helping to pay military bills.

Senator MALONE. How much do you think we are going to give France in the next 3 or 4 months?

Mr. BLOUGH. I have no notion.

Senator MALONE. How much did we just give the Philippines?

Mr. BLOUGH. That was not just to meet their foreign-exchange difficulties.

Senator MALONE. Whatever it is for, it is to do something that they could not do under their earning power. You will agree to that; will you not?

Mr. BLOUGH. I think that is reasonable, certainly.

Senator MALONE. All right. We have given about $70 billion to these nations and have voted three and a half billion more to buy foreign policy with in the next year; didn't we?

Mr. BLOUGH. I think we should distinguish three purposes for the aid.

In the beginning, right after the war, we were giving almost exclusively to Europe to take care of the chaotic condition which remained after the war. We were furnishing them dollars because they were short of purchasing power.

Senator MALONE. That is what they are short of now because they want to purchase more than their earning power; that is right, is it not?

They want to purchase more than their earning power.

Mr. BLOUGH. All countries do, if I understand you.

Senator MALONE. Well, not if they are not short of dollars.

Mr. BLOUGH. The dollar shortage is an indication that given the rate of exchange, and given the level of domestic income, given the prices in the two countries, then people in a country are trying to get more dollars in order to buy goods from the United States than there are dollars available to that country.

Senator MALONE. Do you think that is the only reason they want them?

Mr. BLOUGH. I beg pardon.

Senator MALONE. Do you think that is the only reason they want the dollars?

Mr. BLOUGH. A few of them want dollars to build up their monetary reserve, that is quite correct.

Senator MALONE. And to buy our gold.

Mr. BLOUGH. Beg your pardon.

Senator MALONE. To buy our gold, too. That folding money from the Marshall plan or whatever it is called now, that money can be used to build up balances in Europe to buy our gold, can't it?

Mr. BLOUGH. Yes, I think so.

Senator MALONE. Well, it has been, has it not?

Mr. BLOUGH. Yes. It has.

Senator MALONE. Now, according to the testimony of the Chairman of the Federal Reserve Board, if those dollar balances which could be converted into Nation's balances had been presented last fall we would have had less than $5,700 million worth of gold and the Treasury has been reporting we own 22,400 million, just sort of a misguided report.

You know that is true, don't you?

Mr. BLOUGH. If everybody took every dollar he could take out of the country.

Senator MALONE. No, that is not it at all.

Mr. BLOUGH. I think that is correct.

Senator MALONE. You are an economist and you really shouldn't say that. The real dollar balances that a nation has built up, like we pay our gold, and the dollar balances they have built up through our gifts in money and other ways, are the balances I am talking about—not every dollar he can get his hand on at all.

They would have a lot of gold left after that.

Mr. BLOUGH. Those are all the dollars that they can get their hands on, if I follow you.

Senator MALONE. No, it is not. Now France has dug up $10 billion worth of gold, didn't they say—or is it 10 million, they don't pay any attention to those extra three figures—de Gaulle is finding a lot of gold over there, isn't he?

Mr. BLOUGH. Yes.

Senator MALONE. There is a lot he is not going to find out. We have given away a lot of it but if we raised the price of gold, we probably would buy it back.

We did that once, you know. We were very lenient.

Mr. BLOUGH. The reason we bought it back was because we refused to import goods in order to pay for the exports which we were selling.

Senator MALONE. Just suppose you are on Main Street here doing a grocery business, the business gets a little slack and you go to the bank and say, if you will, "Just give me $5,000 and I will scatter it out here on the street. I am going to sell a lot more groceries." Do you know what a banker would say to you?

Mr. BLOUGH. I have a pretty good idea.

Senator MALONE. He would step on that little buzzer and hold you in conversation until the fellow came up behind you, the bouncer, because he would know you are crazy, he just wouldn't know whether you were dangerous or not. Don't you think he would?

Mr. BLOUGH. I am sure of it.

Senator MALONE. Of course he would. All of this is crazy talk. There has just been handed to me the current issue of U. S. News & World Report. I used to subscribe to this magazine when it was a mimeographed paper of four sheets along about 1926.

But on page 97, "Finance weak, gold pours out of the United States. Danger?" Here is the story. "Gold is flowing from the United States reserves in the hands of foreign powers.

"Shifts in trade, speculation, other things are involved, officials see no conspiracy, though.

"Gold," they say, "is just doing its job."

As a matter of fact, it is just another commodity, Mr. Roosevelt and others said, for pouring out the propaganda from Washington. You remember all about that, don't you? You were here part of that time?

Commodity, just another commodity.

Now, I have some news for you that you might take to Columbia, we will see how it works out.

The real danger of Russia to this country is the ruble going to the gold standard. They have the gold and they are not giving it away. They are not giving away money for which some other nation can get the gold.

As matter of fact, they are not giving away much money, if any. They are getting a return like England and France, the Netherlands and Belgium, the colonial nations, used to get—their pound of flesh.

We are the only one who gives it away. We are not taking the place of anybody like England. England is just putting us up there to destroy our own economy.

I recommend that as reading.

I don't know how far they are going to go with it, but it won't take you long to see what will happen if the ruble goes on the gold standard and we don't have any gold left.

I asked Mr. Martin of the Federal Reserve, I said, "Suppose the ruble went on the gold standard and then these countries demanded this gold?" He said, "I shudder to think what would happen to the American economy."

You had better start shuddering, that is where you are going.

All I want to be sure of is that we have covered the things that I think your people lack information on. Out in Nevada we have some of the finest ministers and churches in the world today, and unless we have changed in the last 5 years, we have more churches per capita in that State than any other State in the Union.

They are religious people and I don't think many of them believe this. That is the reason we are asking you the questions as to how you arrive at all this business.

Who makes the speeches at these reunions or national meetings where they adopt these policies?

Could you give me a list of the persons that were there?

Mr. BLOUGH. If there is a record, I will be glad to.

Senator MALONE. Do you remember any of them?

Mr. BLOUGH. I was not at the conference. It was a delegates conference, 500 delegates from all over the country.

Senator MALONE. Do you have a list of the delegates?

Mr. BLOUGH. I could get it for you, if you want to hold the record for it.

Senator MALONE. You don't need to put it in the record. If you could just give it to me, I would be very glad to get that. Just address it to me at the Senate Office Building.

Mr. BLOUGH. Surely.

Senator MALONE. I know that you had in your statement that there had been a tremendous amount of machinery exported from this country or was it someone else that said that?

Mr. BLOUGH. I did not have that in my statement.

Senator MALONE. There certainly has been and it is going to continue for some time, because all of this top machinery and every phase of manufacturing and mining is going to foreign countries now with American investment.

As an example, you have heard of titanium metal, have you not?

Mr. BLOUGH. Yes, sir.

Senator MALONE. It has the greatest weight-strength ratio and high-heat resistance of any metal.

It means a great deal to engineers, although it is not of so much interest to economists.

A half of the United States production is made at the Henderson, Nev., plant, the other half is made by Du Pont in New Jersey, and everybody was going along very well.

Suddenly last year, we imported during the fiscal year 20 percent of our titanium consumption from Japan. We are getting wages of $2.50 to $2.75 per hour at Henderson. Japan is bringing it in at less than the cost of making it at Henderson.

Suddenly Henderson laid off 500 men and nobody knew why until we looked at the record.

I just want to leave with you that these 6 million unemployed are not unemployed by accident.

Most of them are unemployed through imports and while you and even the President of the United States may say that is good for the overall policy of the United States, personally I do not believe it is. And the people losing their jobs don't believe it is.

Now this is another reason that you could take home with you. As long as we had the policy of the tariff or duty representing the differential of costs between the chief competing nation and here, American investors were free to go about investing money in this country in anything they could compete with other Americans in the production.

Now, with that matter in the hands of the President, who can sacrifice any industry or any part of the industry, and who has transferred that matter to the hands of Geneva and its 36 competitive nations that do not have to keep their part of the agreements, they can agree to anything.

They can show they are short of dollar balances until we have divided all American wealth so there is an even basis for those 37 of which we are one. Under that practice you have to know what they could produce that same article for in Siam or Japan or in England or somewhere else and there is no way for you to find out, so you have stopped the investment in America in about everything except public utilities and the things that we just have to have here, and there is no free economy any more.

That is one thing that stops it.

If you have anything more to say, I will be very happy for you to say it.

Mr. BLOUGH. I think not, except that I hope silence will not indicate agreement with all the statements you have made.

Senator MALONE. I wanted you to say just that. You don't agree then, you think that if your son or your family or you wanted to go into an investment in anything that you can mention, that is subject to low water transportation, you think then by deciding that you could compete with any American paying the same wages and taxes and so on, that you would be safe in investing money?

Mr. BLOUGH. I didn't mean to disagree with everything you said. I just meant to say that certainly I would not want to be interpreted as agreeing because I didn't say anything.

Senator MALONE. I want you to say it just like you are saying now. Just talk right out.

Mr. BLOUGH. For example, the statement that our unemployment is due to imports, I certainly disagree very basically with that.

Senator MALONE. Well what part of it do you think is not attributable? I wish you would write me a letter and tell me.

Mr. BLOUGH. I would say, offhand, 97 percent is not attributable to imports.

Senator MALONE. What do you think about the crockery industry and the textile industry and the mineral industry, just 3 out of about 50 that I could explain to you if I had the time.

You don't think unemployment in those industries is due to imports?

Mr. BLOUGH. I think some of it is due to imports, of course, but I think—maybe it ought to be 95 percent instead of 97, but I think these cases fit into that small percentage.

Senator MALONE. Maybe it ought to be 5 percent, too, that is not attributable to it. So give it a little thought, will you?

Mr. BLOUGH. I have given it a lot of thought, Senator, and I will give it more.

Senator MALONE. Well, maybe if you have some of these factors we have discussed today, it will help you.

Mr. BLOUGH. I have enjoyed it, sir.

Senator MALONE. I know you have, so we will now recess until 3 o'clock.

(Whereupon, at 1:35 p. m., the committee recessed to reconvene at 3 p. m.)

AFTERNOON SESSION

Senator LONG (presiding). The committee will come to order.

Our first witness will be Mr. Reuben Johnson.

You may proceed, Mr. Johnson.

Mr. JOHNSON. Thank you.

STATEMENT OF REUBEN JOHNSON, COORDINATOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. Chairman and members of the committee, I am Reuben Johnson, coordinator of legislative services, National Farmers Union.

Delegates to our annual convention in March of this year expressed in the official program of National Farmers Union their position on competing imports of agricultural commodities. The pertinent paragraph is as follows:

Safeguards should be established to prevent the destruction or weakening of commodity-bargaining-power programs by imports of competing farm commodities or products or substitutes thereof. This should be done by means of automatic fluctuating parity tariff, import quotas, or similar devices, or, preferably, by parity income deficiency payments, or a combination thereof as in the sugar and wool programs.

The delegates recognized that in the existing ways of conducting trade we have a network of human institutions such as laws, custom, investment in plant, et cetera. Every nation has attempted to solve its own economic problem in its own way. Broadly speaking, in agriculture the aim has been to raise the relatively low income of farm families. Income parity with the nonfarm population is a frequently mentioned goal of farm people in the free nations, and basic legislation has been enacted by many nations toward this end.

The justification for assisting low-income agricultural producers needs no amplification, for the Congress of the United States on many occasions has passed vitally needed and important legislation to give some measure of stability to prices of agricultural products and to the incomes of producers.

In the United States this has been accomplished in various ways. Two examples of such congressional action on the trade front are section 22 of the Agricultural Adjustment Act, as amended, and section 8 (a) of the Trade Agreement Extension Act of 1951.

The Congress has enacted laws also to protect other segments of the economy.

Members of this committee are thoroughly familiar with the programs developed in the United States to improve farm prices and incomes and contribute to their stability.

A major program in this field, of course, is the supply diversion price support program of the Commodity Credit Corporation. Unfortunately, under price support legislation, the Secretary of Agriculture has reduced supports for most eligible commodities to levels subsgantially under 90 percent of parity, except for tobacco and wool.

In spite of record high exports in fiscal 1957, farm families are not doing so well economically. Compared with other groups in the economy, farm-family incomes are low with no immediate hope for improvement under present administration of existing laws. Not only that but farm-family incomes have been falling while other people's incomes have been rising.

The total net income of farm operators, including inventory change, dropped 25 percent from 1951 to 1957. While farmers are worse off, most everybody else is better off. Over the same period corporate profits, after taxes, are up 7 percent; dividends, 33 percent; interest, 61 percent; weekly earnings of manufacturing workers, 28 percent.

We hear a great deal these days, sometimes indirectly, about how a free domestic agricultural economy would promote trade and about the need to reduce the difference between domestic agricultural prices and world prices. This talk does not emanate from agricultural interests or the sincere representation of agricultural interests.

The fact is that there is no such thing as an automatically operating free market system. Any market is free only within a framework of law, property rights, wealth distribution, trade practices, and other rules of the game.

In this connection, every major agricultural nation in the free world has some kind of price support program.

It is out of this need that the General Agreement on Tariffs and Trade was established and that the United States Congress passed the Reciprocal Trade Agreements Act, further simplified customs procedure, and has conducted public hearings on whether the United States should join the Organization for Trade Cooperation.

It is due to the need for even greater economic cooperation that we in Farmers Union have supported an International Food and Raw Materials Reserve, or World Food Bank, additional international commodity agreements on the order of those in effect for sugar and wheat to buttress and operate in conjunction with the International Food and Raw Materials Reserve and United States membership in the Organization for Trade Cooperation, the administrative arm of the General Agreement on Tariffs and Trade.

From an economic point of view, farmers in the United States realistically view foreign trade policy out of 6 years of falling farm prices and farm incomes.

Over the period, the official policy of President Eisenhower and Secretary Benson has been that of furthering sliding scale laws and the slide toward a free market for agricultural producers.

Farmers want the United States to follow intelligent, enlightened, and humanitarian foreign economic policies. But they do not want to see the total cost of such policies loaded upon their already sore backs, or for that matter on the backs of coal miners or any other small group of the labor force.

Farmers Union supports extension of the Reciprocal Trade Agreements Act in the context of the problems of agricultural producers we have outlined briefly above and in our more comprehensive statement to be filed for the record.

We do not feel, however, that H. R. 12591 meets the needs of farmers in the face of their weak bargaining power. In this respect, farmers have no other choice than to continue to point up their need for protection from excessive competing imports. We need such protection as that provided in H. R. 11099 introduced by Mrs. St. George on the House side, to strengthen the Reciprocal Trade Agreements Act as it applies to farmers and their programs to strengthen their bargaining power.

We urge that you amend H. R. 12591 along the lines of H. R. 11099.

In this connection, however, Farmers Union supported H. R. 12591 on the House side because the only substitute went so far in the direction of an isolation policy and a fortress America that it offered nothing in the way of an intelligent trade policy.

We had hoped that this year we could make more progress toward a recognition of the need for international instruments of conscious and intelligent economic planning such as is possible under an International Food and Raw Materials Reserve or World Food Bank and additional international commodity agreements such as the wheat agreement.

As we analyze the international trade situation, this approach is necessary to work out an expanding and orderly trade program and to protect in the process the agricultural and other primary producers of the nations concerned.

We have attempted briefly at the committee's request to give you our views on the extension of the reciprocal trade agreements program. To amplify upon our brief oral statement, Mr. Chairman, we respectfully request that our longer statement—"Imports, Exports—Agricultural Trade"—be made a part of the record at this point.

Senator LONG. How long is that statement, may I see it?

Mr. JOHNSON. It is 13 or 14 pages.

Senator LONG. Yes, that will be made a part of the record.

Thank you very much.

(The document is as follows:)

IMPORTS, EXPORTS—AGRICULTURAL TRADE

By Reuben Johnson and Howard Tolley

LEGISLATIVE ANALYSIS MEMORANDUM NO. 56-4, REVISION NO. 1

(For current legislative and economic developments see supplements No. 1 and No. 2 especially of this Legislative Analysis Memorandum and section 6 of the Legislative Looseleaf Handbook.)

The United States has had thrust upon it the responsibility for leadership of the free world. As the world's leading agricultural and industrial producer, the United States wields great influence over world markets, world prices, and world economic stability. More importantly, because of its great economic power, it can help or worsen the chances for world peace. The United States has a responsibility it cannot shirk for exercising its power and leadership in international economic cooperation, including trade, toward the end that economic conflicts may be resolved in the interest of a permanent peace.

More, not less, effort should be made to attain human welfare objectives in trade and in agricultural programs in general. Farm families, as well as other citizens, are interested in creating the conditions under which the people of the world who produce vital food and fiber can have rising living standards and the good life. More international trade cooperation and the elimination of economic problems which create international frictions are worthy goals.

It is in this spirit that Farmers Union has wielded influence on the Nation's trade policies and programs of international cooperation.

Pressures for economic isolation are greatest during periods when primary producers are not sharing equitably in national wealth and income. For this reason, domestic economic policy enters importantly into trade policy.

Trade is a two-way street. It is best carried on where a well-defined set of rules governs the flow. Such a set of rules is necessary in a world where all the major agricultural producing nations have domestic price support programs as well as restrictions on imports of agricultural and industrial goods. It is out of the need for such a set of rules that the General Agreement on Tariffs and Trade was established and that the United States Congress passed the Reciprocal Trade Agreements Act. It is because of the need for even greater international economic cooperation that Farmers Union supports an International Food and Raw Materials Reserve, additional commodity agreements, extension of Reciprocal Trade Agreements Act, simplified customs procedure, United States membership in the Organization for Trade Cooperation and a Democratic World Economic Union.

EXPORTS AND THE UNITED STATES FARMER

Total domestic exports of agricultural and nonagricultural commodities amounted to $20.7 billion in 1957 fiscal year. The previous high year was fiscal 1956 when $16 9 billion agricultural and nonagricultural products were exported. The increase in fiscal 1957 over fiscal 1956 is $3.6 billion or 18 percent.

Agricultural exports in fiscal 1957 were $4.7 billion or 23 percent of total domestic exports. Agriculture's share of total domestic exports dropped from 26 percent in fiscal 1952 to 19 percent in fiscal 1953 and fiscal 1954. Agriculture's share of total exports in fiscal 1957 are larger than any year since the 1952 fiscal year. Total agricultural exports in fiscal 1957 amount to $4.7 billion, all alltime high.

In fiscal 1957, agricultural commodity exports were the equivalent of the produce of 1 crop acre out of every 6. This was equal to the production of 50 million acres that moved into export trade. Some crops are moved overseas in large volume. Twelve cents of every marketing dollar in the 1957 fiscal year came from exports.

Exports in the 1956 marketing year as a percent of production that year were: Cotton, 57 percent; rice, 56 percent; wheat 53.7 percent; soybeans, 35 percent; flue-cured tobacco, 31.6 percent, and lard, 22.0 percent.

Of the total United States exports in the 1957 fiscal year, 40 percent were made under Federal export expanding programs. Public Law 480, the Agricultural Trade and Development Act, accounted for 32 percent of these exports.

Public Law 480 made possible a high percentage of the exports of important commodities. Fifty-seven percent of wheat exports were under this law; 43 percent of corn exports; 81 percent of rice exports; 30 percent of cotton exports and 47 percent of cottonseed and soybeans exports. Because of the quantities of agricultural commodities exported under the law, it is of great importance to farmers. Its principal shortcoming is that long drawn-out bilateral negotiations are required in making sales. Consideration of third and fourth country interest make negotiations broader than strictly bilateral.

Exports under all Government programs, plus other exports totaled $4.7 billion in fiscal 1957. The breakdown by kinds of sales is as follows:

	Million dollars	Percent of total
Foreign currency sales [1]	1.27	27
Barter sales [2]	.30	7
Grants [3]	.25	5
Credit sales [4]	.07	1½
Commercial sales [5]	2.78	59½
Total	4.78	100

[1] Title I, Public Law 480; sec. 402, Public Law 665, Mutual Security Act.
[2] Title III, Public Law 480; and other legislation.
[3] Titles II and III, Public Law 480.
[4] Export-Import Bank loans.
[5] Includes sales abroad at prices below domestic prices.

IMPORTS AND THE UNITED STATES FARMER

Imported farm commodities are of two kinds: (1) Those that compete in the domestic market with domestically produced commodities, and (2) those that do not compete in the domestic market with products of United States farms. Imports under (1) are called supplementary and under (2) are called complementary.

Imports of agricultural commodities (supplementary and complementary) totaled $3.8 billion in fiscal 1957, 7 percent less than the previous year. Of this amount supplementary imports totaled $1.5 billion or 40 percent of the total. Complementary imports (1957 fiscal year):

	Value (million dollars)
Coffee	$1,396
Crude rubber	344
Carpet wool	104
Cocoa or cocoa beans	122
Tea	53
Bananas	69
Others	173
Total	2,261

Supplementary imports (1957 fiscal year):

Sugar	441
Meats	135
Apparel wool	116
Vegetable oil and oilseeds	133
Fruits and nuts	123
Grains, grain products, and feeds	102
Tobacco leaf	84
Dairy products	42
Others	363
Total	1,539

Most of the declines in agricultural imports occurred in rubber, coffee, cocoa beans, and wool. Supplementary imports are down 3 percent in the 1957 fiscal year from the previous such year.

The importance of complementary imports to United States farmers lies in their price to farmers as consumers and in the significance of these commodities to other governments as a means of earning United States dollars with which to buy our farm and industrial commodities.

POSITION OF FARMERS UNION

It is a matter of commonsense to realize (1) that everybody would be better off if we produced and distributed more goods, and services, in the most economical manner possible, and (2) that people all over the world have common aspirations, needs, and vested interests similar to our own. In terms of the total economy of the free world, this means that each country should produce what it can most efficiently produce, trading the excess for the excess of goods produced more efficiently by other countries. This is the premise underlying the common market now being formed under treaty by six European nations. This is a significant historical move and it may well prove to be a beginning step toward the economic integration of a large area of the democratic world on the order of a Democratic World Economic Union proposed by Farmers Union. Such a union, composed of nations that will subscribe to the kinds of democratic rights and privileges set forth in the United States Constitution and Bill of Rights, could develop and operate the economic development and trade promotion programs that would contribute most to rapid integration and growth of free world economies.

In the existing ways of conducting trade we have a network of human institutions such as laws, custom, investment in plant, etc. Every nation has attempted to solve its own economic problem in its own way. In agriculture the aim has been to raise the relatively low income of farm families. Income parity with the nonfarm population is a frequently mentioned goal of farm people in the free nations and basic legislation has been enacted by many nations toward this end.

Farm families have a direct and important interest in the terms under which imports are allowed to enter the domestic market. For these families, the advantages gained from the exportation of other farm products and of nonfarm products are general, diffused, and indirect, while the competitive nature of supplementary imports is direct and immediate.

It is not surprising that farm families take the attitude they do toward supplementary imports of agricultural commodities. They understand that markets and other institutions are made by man and can be changed by them. We hear a great deal these days about how a free domestic agricultural economy would promote trade and about the need to reduce the difference between domestic agricultural prices and world prices. This talk doesn't emanate from agricultural interests or the sincere representation of agricultural interests. The fact is that there is no such thing as an automatically operating free market system. Any market is free only within a framework of law, property rights, wealth distribution, trade practices, and other rules of the game. In our present way of doing things, trade is best carried on where there is a well-defined set of rules in operation.

It is out of this need that the General Agreement on Trade and Tariffs was established and that the United States Congress passed the Reciprocal Trade Agreements Act, further simplified customs procedure and has conducted public hearings on whether the United States should join the organization for trade cooperation. It is due to the need for even greater economic cooperation that we in Farmers Union have supported an International Food and Raw Materials Reserve, or World Food Bank, additional international commodity agreements on the order of those in effect for sugar and wheat to buttress and operate in conjunction with the International Food and Raw Materials Reserve and United States membership in the Organization for Trade Cooperation, the administrative arm of the General Agreement on Trade and Tariffs.

In the United States it would be both foolhardy and foolish to abolish all fair-trade laws, tariffs, patents, unions, preferential freight rates, subsidies to airlines, maritime operators, and the rest. It would be equally unrealistic to expect that the peoples and governments of other countries are going to give up the myriad institutional interferences with the free privately controlled market of the type visualized by mid-Victorian economic theorists.

But even if it were possible, to get the people and the governments to eliminate government assistance and regulation of international markets, we are convinced that this would not be the best thing to do. The reason is this: The instability of prices of raw materials, including agricultural commodities, is a two-edged sword that cuts down economic progress for both producers and consumers.

Investments in economic expansion designed to increase the total output of raw materials must be made far in advance of the time when the products will be marketed. Instability in raw material prices presents such an added and serious factor of uncertainty in the calculation of returns on such investments, that the level of investment in expanded raw material exploitation is undoubtedly slowed down.

Likewise, the investments in processing and manufacturing industries that use raw materials must be made well in advance of their ultimate recovery of the investment from profits made from the sale of processed or manufactured products. Consumer need, and in some respects consumer demand, is relatively stable, and can be fairly well gaged. But faced with wildly fluctuating raw material costs, the manufacturer like the raw materials producer must introduce a large uncertainty factor into his investment calculations.

The meaning of this, to us, is clear. It means that the most fruitful means of promoting greater international economic cooperation is not a futile attempt to establish some kind of mid-Victorian competitive market equilibrium, but rather through the bold, imaginative, conscious building of workable international economic institutions. What we must have is neither this Victorian free-market internationalism nor monumental national isolationism. The correct answer lies in conscious international economic planning.

Farmers Union favors an intelligent international approach to the problem, we do not believe that such an approach lies in throwing domestic or foreign producers upon the unguided and uncontrolled trader and cartel-dominated private international free-market system. The approaches we have suggested are negotiated publicly directed approaches to closer international economic integration. We do not believe, for example, that tariff elimination, as such, by unilateral action by the United States is either a sensible or a politically feasible approach.

The Reciprocal Trade Agreements Act, the General Agreement on Trade and Tariff, and the Organization for Trade Cooperation are negotiational types of consciously directed international economic cooperation that should be encouraged. But we do not believe that United States farmers who produce for export or who produce commodities that must compete with imports should be asked to bear the full cost, respecting this production, of an intelligent United States foreign policy. We accord the same right and privilege to other domestic raw material and industrial producers. The benefits of better international economic cooperation accrue to all the people and the temporary costs involved should be borne by all the people. This means that in the case of both exports and imports, programs and policies should be established, as they have been in the case of the International Wheat Agreement and the Sugar Act program, to spread the costs to all the people instead of putting all of them directly on the small number of producers concerned.

With respect to such measures, there is always a clear-cut choice of how the cost is to be spread to all the people. By some methods the cost is spread to all in their capacities as consumers and they pay the bill in increased retail prices of the things they buy in relation to the quantities of such purchases. To the extent that tariff on imports of wool raise prices of finished goods, consumers contribute to the returns of United States wool producers.

By other methods the cost is spread to all the people in their capacities as taxpayers and they pay in accordance with the ability-to-pay principle incorporated in the Federal personal and corporate income tax schedules. This is the method followed in connection with United States operation of the International Wheat Agreement.

As a general principle we urge that no United States farmer (or other producer), whom we expect to remain in production, be required to produce for export or to meet the competition of imports, at any price less than the full parity price.

There are probably some industries in which the entire United States need and demand can be met continuously and safely through complete dependence on imports. In such cases, we recommend that the injured domestic industry be helped to make adjustments by means other than excluding imports, such as through conversion to other lines, extension of unemployment insurance, assistance in retraining workers, and outright purchase, where required.

We know of no domestically produced agricultural commodity to which this applies.

Programs and policies affecting agricultural imports and exports should be designed to provide full parity returns to domestic producers in ways that will be consistent with minimum hindrance to international trade and economic cooperation, and preferably by methods that will spread the costs to all people in accordance with ability to pay rather than through increased retail prices to consumers.

We urge the enactment of legislation to renew the Reciprocal Trade Agreements Act with sufficient safeguards to fulfill the objectives outlined above. To be more specific: Notwithstanding any other provision of law, whenever a reduction in import duties negotiated under the act will result in decreased income and employment in a domestic industry or result in reducing prices received by farmers so that such prices reflect less than 100 percent of parity, we urge that the President be authorized and directed (1) to call upon the Secretaries of Labor and Commerce to establish a domestic industrial readjustment program that will provide employment readjustment compensation, vocational training and migration aids to laborers unemployed therby and that will make available technical assistance, capital retirement grants, and readjustment loans to industrial and business concerns whose operations are rendered unprofitable and (2) to direct the Secretary of Agriculture to initiate and put into operation a domestic farm price support program for the affected agricultural commodities through compensatory payments in combination with other means of price support at a level reflecting 100 percent of parity.

As leader of the free world, United States policy toward greater economic cooperation among the free nations, is vital. Such a policy is practically nonexistent in practice although in theory the administration continues to support the Reciprocal Trade Agreement Act, the General Agreement on Tariffs and Trade and its administrative arm, the Organization for Trade Cooperation.

Following a trade policy the core of which is greater international cooperation and negotiation takes Farmers Union out of the controversy between the restrictionists and the free traders dealt with in another action of the LAM.

USDA AND AGRICULTURAL TRADE POLICY

Increasing exports over past 2 marketing years has served as a relief valve for United States agriculture.

Evidence points to a shift in the view Secretary Benson has had of Government export-assisting programs. At hearings last year USDA witnesses favored only a 1-year extension of Public Law 480 and saw a diminishing need for the law. Today the Secretary is reported to favor a 2-year extension of the law with $2 billion yearly for implementing. Failure of the soil bank to substantially reduce production and Benson's opposition to Federal programs to assist United States farmers in upping prices and incomes and in adjusting production to augmented demand is responsible for shift in USDA thinking.

Congress is amenable, it appears now, to extending Public Law 480. However, pressure from the Budget Bureau has resulted in reducing the $2 billion Benson wants to $1½ billion which it is reported he will be satisfied with.

In 1956, the soil bank was presented by the administration as the panacea for ailing agriculture. Associated with it in 1957 is Public Law 480 and other export expanding programs.

Total exports of United States agricultural commodities in fiscal 1958 are expected to be less than exports in 1957. If losses sustained in the first quarter of fiscal 1958 are indicative of a trend, exports in the present marketing year could be substantially less.

One problem presented by Benson's shift to the use of export programs, as the relief valve for United States agricultural production problems, aside from the fact that such programs do not get at the basic problems of agriculture, is that of upsetting traditional and historical balances in world trade. This problem was illustrated by Benson himself in a speech at the FAO conference in Rome, Italy. He reassured the delegates, saying that he hoped the United States had been successful in not unduly undermining world prices or disrupting world markets. He added, "I suspect though that there are certain transactions involving individual commodities on which a few of you might disagree. * * * All I can say is that when you feel our policy is being unfair, we are willing to sit down with you and talk frankly about it."

The Canadian delegation to FAO meetings in Rome, Italy, said, for example, that certain United States transactions have had a serious impact on Canadian marketings, especially because of "the volume, intensity and aggressiveness" of

United States disposals operations. They acknowledged that the United States had tried to reduce dislocation to normal trade arising from disposals but they added that "it is incontestable that there has been damage."

There are many justifications for an intelligently managed Public Law 480 program as one side of a well balanced farm program. These justifications have been documented in testimony of Farmers Union witnesses before the special Senate Agriculture Committee who have looked at and talked about the program, as a foreign policy program rather than a farm program. Viewed in this light perhaps one of the greatest justifications for the program is the increasing shortage of dollars in countries which normally import substantial quantities of agricultural commodities. To a very large extent, the trade deficits of dollar short nations have been offset by United States economic assistance in the form of Public Law 480, dollar loans and grants, military expenditures, and small amounts of private United States investment capital moving abroad. Up to 75 or 80 percent of dollars we have sent abroad, under the mutual security program find their way back to the United States, thus stimulating domestic business and industrial activity. With sizable quantities of United States agricultural commodities being sold for soft currency most of the dollars we send abroad that return to the United States are expended for hard goods.

The restrictionists are representative of the political and economic isolationists and favor a "Fortress America" go-it-alone approach to trade problems while the free traders would put exclusive reliance upon the cartels which control a substantial portion of the world's trade and thereby the supply which gives them administered control on consumer prices.

Restrictionists

On the restrictionists end of the trade controversy, the United States farmer would have to either shut off the production of 1 acre in every 6 that last year moved into export trade or shift to some commodity that can be sold in United States or both.

A large segment of United States industrial production would be idled and workers would be laid off, due to lack of both raw materials and foreign markets.

United States farmer's cost of production and living would rise owing to increased cost of goods.

Living standards in all the free world would be reduced owing to lower production and higher costs of production per unit.

Stomach communism in many areas of the world would be promoted. A Fortress America would become inevitable.

If we want the restrictionist or go-it-alone policy, it can be done with protective embargoes and preclusive tariffs against imports, expansion of "buy American" policies, refusal to support the United Nations and the Food and Agriculture Organization, and stopping United States economic aid to nations of the free world.

Freetraders

The other end of the trade controversy is to rely exclusively upon cartel-dominated, so-called free international trade.

We would do this by repealing our tariffs; abolishing our restrictions against competing imports, such as sugar, wool, feed grains, barley, and dairy products; stopping United States economic aid to other countries; abolishing the United States Export-Import Bank, the International Wheat Agreement; pulling out of World Bank and International Monetary Fund; refuse to renew the Reciprocal Trade Agreements Act; repeal section 22 and the escape clause. All other exporting and importing countries would take similar action.

International trade would then be dominated by international private cartels—huge international trade monopolies. Only the farmers and other raw-material producers of the world would fully enjoy the fruits of competition.

United States producers would be set free in an administered-price market dominated by foreign government regulation and international private cartels. Prices paid by United States consumers would be uncertain and artificially high.

The world price of farm commodities and other raw materials, such as tin, rubber, and iron ore, would fluctuate widely from month to month and year to year. This would discourage productive investments and retard free-world economic expansion.

Freetraders are found primarily among consumer and importer interests, but they have succeeded in thoroughly confusing the Farm Bureau, whose representatives at times talk like freetraders and at other times act like restrictionists, depending upon the issue at hand. They ignore trade barriers in other countries in their support of unilateral reductions of United States duties and a return to a free market for agriculture.

The position of Farmers Union is that neither of these roads is the right road. (See section of LAM on Farmers Union position.)

EUROPEAN COMMON MARKET

The European Common Market is a step toward a democratic world economic union and, as such, is a significant turning point in history. The 6 countries who have signed a treaty to launch the common markets are: France, West Germany, Belgium, the Netherlands, Luxembourg, and Italy. The treaty provides for a common market in association with the overseas territories of the member countries. It provides a 12- to 15-year transition period, and is expected to take effect January 1, 1958. At the end of the transition period, all tariffs between the member countries will be eliminated, and there will be no immigration or other barriers between the nations.

The potential advantages of the Common Market have been described as:

Duty-free access to a market comparable in population to the United States.

Savings in unit costs through an increased volume of production.

A greater variety of choice for the consumer.

More jobs.

A chance to create new industries which could not economically be developed for a single national market.

GENERAL AGREEMENT ON TRADE AND TARIFFS (GATT)

The objective of GATT is to reduce or remove trade barriers. The most important steps in lowering these barriers are commonly recognized as the following:

(1) Nondiscrimination in trade by each of the participating countries.

(2) Commitments giving effect to negotiated tariff concessions.

(3) Reducing the use of quotas limiting the quantities of products which may move in international trade.

(1) Discrimination in commercial trade policy is commonly referred to as most-favored-nation treatment. In the GATT, each of the 37 member countries agrees to give all other contracting parties any trade advantage, favor, privilege, or immunity it grants to any other country. Such treatment shall be no less favorable than that accorded any other country, whether or not the other country is a member of GATT. The most-favored-nation principle has been included in United States commercial treaties and agreements since 1778 and in its present form since 1923.

Tariff reductions or concessions

Approximately 58,000 tariff concessions have been negotiated during the meeting of member nations. These have involved either tariff reductions or commitments against tariff increases.

In the United States, the executive branch is charged with the responsibility of seeing that tariff concessions shall not result in serious injury to a domestic industry. If injury does result, modification or withdrawal of the concession is authorized under the escape clause of the agreement. When escape-clause action is taken by one country, other countries whose trade is adversely affected are entitled to suspend equivalent obligations under the agreement to maintain the fairness and balance of the concessions.

Reduction and elimination of quotas

An import quota is regarded as a greater barrier to trade than is a tariff, inasmuch as it constitutes an absolute barrier. Nevertheless, quotas are in effect for a variety of manufactured goods and agricultural commodities in the United States.

Exception to GATT rules

Every major agricultural producing country has some kind of program in effect to boost farm prices. So, exceptions to GATT rules are necessary to give member countries the right to protect price supports and production-control programs. Exceptions are essential in the case of the United States or farm-commodity prices would be at or near the world level. Farmers in the United States would be faced with paying artificially high and administered prices for many items they buy, and receiving low and fluctuating prices for the commodities they sell.

On the other side of the coin, an exception in the agreement permits countries to prohibit or restrict exports to relieve critical shortages of foodstuffs or other essential products.

Perhaps the most important exception to the general rule against restrictions is that which permits a country to limit the quantity or value of its imports to the extent necessary to protect its foreign-exchange reserves. This means, simply, that, if a country is short on foreign exchange, it may restrict commercial imports. Because this exception has been applied mostly by dollar-short countries against imports of United States goods, it has led to criticism of GATT. Application of such exceptions does not, however, always result in a net reduction of United States agriculture exports. For example, because of foreign-exchange limitations, a nation may curtail or even stop imports of luxury items to make possible larger imports of food or other essential items.

Strictly speaking, GATT is a code of conduct between 37 nations on trade matters. Assisting in the reduction of trade barriers is the agreement's prime function, but rules are also laid down on internal taxation as it may apply to trade regulation. At annual meetings such as the one held in Geneva, Switzerland, in 1957, member nations negotiate reciprocal trade concessions and consider complaints.

When GATT was conceived, it was never meant to stand alone. It was intended to be an adjunct to the proposed U. N. International Trade Organization. But the Organization never materialized, primarily due to the failure of the United States to cooperate. The lack of an administering agency has handicapped the operation of the agreement and resulted in widespread support for an administrative organ.

Senator LONG. Senator Carlson?

Senator CARLSON. I noticed in your statement here that you urge that we amend this H. R. 12591 along the lines of H. R. 11099, introduced by Mrs. St. George. Would you be willing to discuss that, briefly? I am not familiar with it. What does that do?

Mr. JOHNSON. I will be very happy to briefly describe the bill which Mrs. St. George introduced. The bill provides for a title II in the existing Trade Agreements Extension Act of 1951, as amended, and would place in the Secretary of Agriculture, at the direction of the Congress, authority to inflict quotas on imports of agricultural commodities whenever imports threaten the agricultural policies as enacted in the laws passed by the Congress, the domestic agricultural economy, or the objectives of this title.

Senator CARLSON. May I inquire there? I get the general trend of it now. Is that in addition to, or does that supersede, the present peril point? This would work along the peril-point program of the present tariff act, and the present Reciprocal Trade Agreements Act?

Mr. JOHNSON. Senator Carlson, this title would relate itself, specifically, to agricultural commodities, agricultural interests in the United States——

Senator CARLSON. Is it your thought that the peril point would not apply to agricultural commodities?

Mr. JOHNSON. The peril point, perhaps, applies, but, in order to get action under the peril-point clause—correct me, if I am wrong—you have to have a hearing in the Tariff Commission and, sometimes, this takes a great deal of time.

In the case of exports of Exlon, last year from New Zealand—Exlon being a butterfat which had been sweetened and flavored but not altered, so that it could not be used in our ice-cream industry of the United States—the peril-point provision was so cumbersome and unworkable that it was some time before we ever got action to stop the imports of this product. This type of program, however, I might add, would be our second choice.

As I have indicated, in the paragraph adopted by the delegates to our national convention, we would much prefer to operate our program in the United States so that we could permit imports of commodities, but protecting the incomes of producers through production payments, eliminating the need for a program of this kind. In the absence of a program to compensate farmers and to maintain farm income on a parity with other sectors of the economy, then, we feel that the type of program which Mrs. St. George's bill provides would be one solution to the program. But that, I want to stress again, is our second choice.

If you feel that it is possible to do something along the lines of getting a production-payment program into effect, for example, for dairy commodities, why, we certainly would prefer this as the first alternative.

In this connection, I might add that we have been very much interested in the recent proposal made over in the State Department in which they support the use of deficiency payments to support some of the metals, copper, lead, zinc, fluorspar, and tungsten. I believe there is a study group in the State Department at the moment which is studying the use of such a program for metals.

We think this is a very intelligent approach to the problems of primary producers, such as the miners and the mining interests in the United States. We are disappointed, however, that this program is not being looked to currently as an aid to agriculture in the United States. We strongly suggest that this program does have a great deal of merit in the application to some of our trade problems here in the United States.

It is a program which we can operate and so as to protect the interests of some of the nations who now feel that we are not giving sufficient attention to their interests.

Senator CARLSON. Mr. Chairman, I thank the witness.

Senator LONG. Thank you.

The next witness is Mr. Herbert E. Harris, of the American Farm Bureau Federation.

Mr. Harris, if I might ask you to wait, I was informed that there was a personal situation that developed with Mr. Freeman, and I would like to call Mr. Freeman, if he is here, and I will call you as the next witness after that, Mr. Harris.

STATEMENT OF RICHARD W. FREEMAN, PRESIDENT OF INTERNATIONAL HOUSE, NEW ORLEANS, LA.

Mr. FREEMAN. Thank you, Senator. My name is Richard W. Freeman.

Senator LONG. Could you summarize your statement?

Mr. FREEMAN. I believe I could, sir.

Senator LONG. Your statement will be printed in full in the record, and it would save time if you would summarize.

Mr. FREEMAN. All right.

(The statement in full is as follows:)

STATEMENT OF R. W. FREEMAN, PRESIDENT OF INTERNATIONAL HOUSE, NEW ORLEANS

My name is Richard W. Freeman, of New Orleans, and my principal business is the manufacture and distribution of Coca-Cola. Also I am chairman of the board of the Delta Airlines, which operates over much of the eastern, southern, and middle-western part of the United States and has direct service to Venezuela, Cuba, Haiti, the Dominican Republic, and Puerto Rico, all of which countries we have served for 10 years or more.

At the moment, I also am the president of International House in New Orleans, for which I am now speaking officially as well as for myself privately. International House is a unique nonprofit civic trade association started in 1943 because we knew that foreign trade is good business for everyone and that it should be cultivated, developed, improved, and protected.

Accepting the not unusual fact that it take 2 to trade and that trade is a 2-way, not a 1-way street, we adopted a liberal trade view from the start. We have spent around $3 million, all of which we raised locally and out of our own pockets, in trying to promote and facilitate world trade through Gulf of Mexico ports, and in bettering international economic understanding, and the education of peoples of our own and other countries to this important and vital part of our economy.

We came into existence, by design and intent, when the world was still deep in the desperate and bitter days of World War II, because we knew that when that war ended the world's businessmen would have to pick up the pieces and get back to work, and the rapidity and success with which they did this would help delay, avoid, or prevent World War III. We knew in 1943 that, soon, businessmen of then enemy countries would have to resume trade if the world was not to fall into chaos and communistic collapse, and we started out to do what we could, on the business level, strictly, to prepare for more and greater world trade.

It took vision and hard selling in 1943, 1944, and 1945 to convince people that we had to be liberal and generous in the resumption of trade with then enemy countries. Our success was built slowly and the hard way. Let me explain here that International House is not an advocate of free trade in any sense of the word, principally because we think that it is impractical and impossible.

We do believe, however, very strongly in freer trade, in the reduction of trade barriers and restrictions, in greater movement of the commerce of the world between our own and other countries, in freer access to the world's needed resources, in the reduction of quotas, currency restrictions, tariffs, and all other artificial barriers insofar as is possible and consistent with our own national need and good, and the dictates of peace and prosperity.

From the start we stood foursquare in support of the reciprocal trade-agreements program which we have seen steadily increase our volume of world trade, provide millions of jobs for our citizens, cargo for our vital and growing merchant marine, needed goods for our citizens, and, in general, contribute to our higher standards of living and our way of life.

We have always believed that this program and the philosophy behind it of building and developing instead of restricting trade has been of enormous benefit to the United States in its fight to stabilize the postwar world because it has helped to convince other peoples that we favor a live-and-let-live policy. We believe that trade is the chief handmaiden to peace, and the misuse of trade or abuse of liberal trade policies leads to war.

In short, we favor trade growth, not trade restrictions.

Six years ago, Dwight D. Eisenhower came to New Orleans and in a speech declared that "if there is a city in the United States which has grasped the significance of world trade, that city is New Orleans, where International House is a majestic and tangible symbol of your understanding. It has become known all over the country as a successful clearing house for healthy two-way international trade. To me, it has even greater symbolism. It represents community action without government money—community action arising out of private thinking and local planning."

We hear a lot nowadays about the people-to-people program into which so much energy and thinking is going. Our work was the original people-to-people program; it has continued buoyant and thriving for 15 years; we have reached millions of persons directly or indirectly, and we know from experience and success that there is world friendship, profit, and peace in trade, trade, and more trade.

Here it is necessary to emphasize strongly that International House is a private institution, supported by about 2,500 dues-paying members of all different kinds of political beliefs, most of them not even remotely connected with foreign trade, but strong converts of our philosophy. Ours is in nowise a Government-supported institution; its support comes solely from businessmen who believe they should develop, encourage, and promote international trade for the common good.

When we speak, it is strictly the voice of businessmen who have tried to raise their thinking and voices to the international economic level.

International House always has believed that private initiative, investment, and work was the solution to placing and holding American economic leadership in the world. We believe, also, that our country should not and cannot wait or depend upon Government leadership and aid for this solution, but should do as much of the job as possible by private means.

We have, therefore, seen, with growing dismay, and we have energetically opposed, efforts of the protectionists to reverse our trade policies and to erect new or revive old barriers to the exchange of goods. We have watched with great alarm and misgiving the inroads that have been made by false and misleading attacks and by the reckless campaign against our growing world-trade business. We regard these attacks as unfair, unwarranted, unjustified, and an actual hoax upon the American people, who, generally, are uninformed about the complexities and intricacies of foreign trade and can be swayed in the wrong direction by distorted propaganda.

International House has become more and more concerned as it noted that, while there have been sharp increases in our annual volume of trade, the ceaseless protectionist attacks upon our tariff policies have grown stronger and more reckless; we have seen these protectionist attacks and erosion of our program create suspicion, doubt, and unrest among our friendly neighbors who find it difficult to understand and to adjust themselves to or reconcile the vacillations and the contradictions of our world-trade policies.

Stability and liberalized regulations are essential to United States' world-trade position. It is impossible to have either of these requirements with constantly changing tariff schedules, political pressure upon the basic laws, and reckless, often even frivolous, actions by misguided protectionist committees or associations which ofttimes really represent no more than the views of 1 or 2 men.

Last September 10, International House took cognizance of the coming congressional battle on liberalized trade, and adopted a resolution requesting Congress for a 10-year extension of the reciprocal trade program without emasculating amendments or crippling encroachments. Copies of this resolution were sent to every Member of Congress, and were distributed widely throughout the United States at the grassroots level, since we were trying to reach the people with the truth before they became inflamed with distortions.

The resolution we adopted is attached. Actually, we believe that even a 10-year extension is not enough; we believe the policy of reciprocal trade relations, which is the policy of promoting trade, should be permanent policy.

Within a short time, our action began to claim national attention, and within a few months a large number of local, regional, and national organizations had adopted similar resolutions. The effect of this crusade was to stir up early interest in the trade-agreements program, which some have been good enough to suggest was helpful in its passage by the House by a 3-to-1 vote instead of by a single vote, as it did 3 years ago. We firmly believe that, when the people have light or enlightenment, they will find the way, and we believe they have found the way and the truth about foreign trade.

International House is fully aware of the historic debates of the past half century in the Congress on the tariff. We know that there is every shade of opinion, but there is only one set of true facts, and we believe that these facts clearly establish that increased world trade benefits many at the expense of few.

All laws and regulations, every action for community development and progress does likewise. Some people are restricted and some benefit with regulations and restraints; so, the criteria must be in what proportion people benefit of suffer.

I would like to suggest later in this brief paper that there are more realistic and effective, cheaper and less dangerous ways of preventing harm than through the penalties of the tariff which penalizes all and distorts our world intent.

Far too little attention has ever been paid to the political implications of trade restraints and the devastating effects the curtailment of the trade development program have upon our position in world affairs. When protectionists seek to cripple the Trade Act, to shorten it, to tie the hands of the President, they actually seek its utter abolition, its demise, its disappearance from the scene after a quarter century of success.

Furthermore, we fear the protectionist clamor has drowned out the voices of reason which, by comparison, are mild and restrained. We do not believe that the American people, generally speaking, know what a high tariff costs them personally or how many of their jobs depend upon foreign trade. Nor do we believe the people realize how few jobs are affected or lost by imports which we bring into our country to fill vacuums, to relieve strain upon our own resources, or simply to enrich our way of life.

We are witnessing the initial battles in the Soviet trade war which Nikita Khrushchev declared upon the United States last year. We may not realize it yet, but we now are engaged in two wars with the Soviet Union—the cold war and the trade war. Both have the same goal—the destruction of democracy and capitalism. A Soviet victory in either will cripple us; victory in both will destroy us.

The attempt to shorten or terminate our trade promotion program and to restrict the Executive in lowering and liberalizing trade barriers is an unwitting aid to the enemy, and would deliver us into their grasping hands. The Soviet Union knows how to use and manipulate trade against other nations, and never hesitates to do so for its ends. We must be prepared to cope with Soviet dumping, underselling, long-term credits at almost giveaway rates, improved quality products produced by what is little short of slave labor, and a hundred other schemes and plans to wreck the capitalistic approach to trade. The Soviet Union, producing with what is little short of slave labor, can, if it chooses, undersell us with quality products anywhere and everywhere in the world. We, therefore, need friends in trade, and should do all we can to win and hold these friends.

The need for higher tariffs is a great hoax, probably the greatest and noisiest that has ever been perpetrated upon our Congress. Only a few of our people, comparatively speaking, benefit by protection which really means penalty against lower priced imports, while more than 99 percent plus of our people suffer and pay for such penalties.

Exports are a vital part of our economy and prosperity, and exports are geared precisely to imports since others must sell to us in order to buy from us. Our foreign business friends must be able to earn the dollars they want to spend for our products and they can do so only as we provide them fair and reasonable access to our markets.

Foreign trade is important to all of the United States and undue solicitude for the protectionists is at the expense of our farmers, our labor, our industry, and our whole economy which depends in greater or less degree on exports. Our export producers, on the farm and in the factory, are hurt by a restrictive import policy because it induces trade restrictions by foreign countries and reduces their supply of dollars with which to buy our goods.

There is American labor content in every dollar of our exports, whether of minerals, of agricultural products, or of manufactured items, while on the other hand a large percentage of our imports are of raw materials and other products which are not produced here, and which are not in competition actually with our own economy.

When we move to impede instead of to liberalize world trade we not only directly hurt ourselves, but we alienate more friends abroad. The Soviets, with their full and immediate control over trade policies, fill every vacuum we create, and win every battle we lose.

More intelligent and far less dangerous ways of coping with the problem of lost jobs through imports and adjusting hardship cases exist. The cost of such adjustments would be minor, and would be direct, and would be understood, whereas the indirect cost of higher tariffs is major, very high, and very dangerous to our whole political position in today's explosive world.

We think that the United States position in the world and as a leader for peace is determined as much by our ability to promote liberal and productive trade policies as it is by our ability to produce military pacts and nuclear weapons.

How foolishly impossible it is to construct a Chinese wall around this Nation in the 20th century, and how wrong even if possible. We think high tariffs are unrealistic and dangerous to the economy of the United States, the welfare of other nations, and the peace of the world.

In today's era of geopolitics the leaders of International House are convinced that as a nation we can no longer live in the "splendid isolation" of the past, either economically, militarily, or politically. Our motives are judged by other nations of the world as much by what we do in economic matters as by what we do in military matters and diplomatic affairs.

At a time when we are seeing history-making changes in the field of international trade, science, and culture, with the Soviets challenging United States supremacy throughout the world, it would be a national tragedy to return again to the narrow view and to try again to erect friendship-destroying trade barriers. Friendly neighbors must trade to exist and we must assist them to trade and live.

Today we see the development of the common market in Europe which bids fair to be the most important economic development there in a century. This development behooves forward instead of backward thinking on our part.

We hope that the Senate will adopt the 5-year unfettered extension of the Reciprocal Trade Act, already approved by such an unexpectedly large majroity in the House. I thank you for your attention.

RESOLUTION ADOPTED BY THE EXECUTIVE COMMITTEE OF INTERNATIONAL HOUSE ON TUESDAY, SEPTEMBER 10, 1957

Whereas the reciprocal trade agreements program, inaugurated in 1934, has been successful in promoting international trade throughout the world, and resulted in progress and prosperity in our own and all friendly foreign nations; and

Whereas, working within the framework of the reciprocal trade agreements program, the United States has in the past quarter century greatly expanded the worldwide exchange of goods and increased its own markets abroad by reciprocally lowering tariff and trade barriers and liberalizing trade regulations; and

Whereas world trade is a necessary factor for world peace; and

Whereas it is recognized that nations and peoples buying from the United States must also sell to the United States and this necessarily makes for mutually beneficial two-way international trade; and

Whereas the total United States volume of exports and imports surpassed $30 billion annually in 1956 and is a keystone to our own peace, prosperity, and the welfare of our citizens; and

Whereas the reciprocal trade agreements program has been renewed 10 times since its original passage in 1934 but these renewals have been for short periods and gradually the law has been emasculated and weakened by restrictive provisions in recent years; and

Whereas to assure continuance of this beneficial and productive program it is necessary to rally all citizens to join in an effort to preserve this law when it comes up for renewal next year in Congress; and

Whereas New Orleans, a great port and trading center, recognizing the paramount importance to the Nation and the world of a continuance of the reciprocal trade program, expresses serious concern with the move to turn the clock back to a tariff program that would restrict trade, and undermine our economic and political situation in world trade: Be it therefore

Resolved, That International House of New Orleans, an organization dedicated to world peace, trade, and understanding, hereby requests Congress to authorize a 10-year renewal of the reciprocal trade agreements program beyond June 30, 1958, and endorses a nationwide program to educate and inform the people of the United States and particularly those in the Mississippi Valley of the grave threat to this highly successful program; and be it further

Resolved, that all trade, commercial, civic, economic, and cultural groups everywhere be invited to join in this crusade to save an extend the reciprocal trade agreements program, and thus preserve the keystone to our foreign trade policy which has had the support of both great political parties over two and a half decades, and which has made a material contribution to world peace and prosperity.

Mr. FREEMAN. I am speaking on behalf of International House of which I am president. It is an organization, located in New Orleans, which has membership both domestically and abroad.

Generally our membership is in the Mississippi River Valley, and last fall we undertook to urge Congress to extend the Trade Act for another 10 years, and at that time furnished all Members of Congress with a resolution which was passed by International House.

In summary of this statement, I think it is fair to say that International House has as its primary purpose the building of healthy two-way trade between the United States and foreign countries.

We think that it is excellent business for both the United States and for foreign countries in an economic sense as well as a political sense, and we feel that it would be disastrous to us in our own self-interest if we were to slam the door in the face of our foreign customers and make it impossible for them to sell their goods here.

Likewise we would be cutting off our own markets in the overseas areas, and I think that is about as brief a summary as I can make of this statement.

Senator LONG. I notice that your organization has spent approximately 3 million in promoting world trade.

As you know, I am very familiar with the International House.

Mr. FREEMAN. Surely.

Senator LONG. I come from Baton Rouge, have lived in New Orleans, and am still a member of the New Orleans Young Men's Business Club. I have had the opportunity of visiting International House a number of times and know the fine work you are doing as its president.

Mr. FREEMAN. Thank you, Mr. Chairman.

Senator LONG. Will you state your views on this problem: An American producer or industry finds that the foreign producer is able to produce goods at a lower cost, and the importer can buy these goods at a lower price, notwithstanding the tariff protection offered to the local industry.

Do you think the escape procedure is adequate, or do you believe that a way must be found to spread the burden of foreign trade more broadly?

Mr. FREEMAN. We feel, in the House bill, which just recently passed the House, that with the peril point and escape clauses and certainly with the imposition of tariffs, based on the tariffs that existed in 1934, there is adequate relief under the present law for the businessman who finds himself in that position, and of course the administration of that is another matter but so far as the law is concerned we feel that it adequately protects local producers, and against unreasonable foreign competition.

Senator LONG. In other words, you feel that if there is wrongdoing and undue hardship in the program it is because of the way in which the program is administered rather than because of the law itself?

Mr. FREEMAN. I would say so, as it now stands, and as it passed the House, yes.

If anything, perhaps the remedies go a little too far to really lead to freer trade, if they are imposed to the utmost.

Senator LONG. Of course, you are familiar with the fact that, out of the 30 recommendations of the Tariff Commission, only 10 were acted on by the President. Further, only in a few of those cases did he grant the full relief recommended by the Tariff Commission.

Mr. FREEMAN. Yes, I am familiar with that fact. But I think this: I think the Tariff Commission has a narrow duty to uphold in this whole situation. I think that they are primarily interested in the industry side of it, and, consequently their findings are not necessarily binding, because of course there are the overall interests of the consumers and the political situation and our foreign relations that should go into the ultimate decision which is now made by the President and the State Department, of course.

Senator LONG. Senator Carlson?

Senator CARLSON. No questions.
Senator LONG. Thank you very much, Mr. Freeman.
We will call Mr. Herbert E. Harris. Thank you for waiting your turn, Mr. Harris.

STATEMENT OF GEORGE J. DIETZ, DIRECTOR OF INTERNATIONAL AFFAIRS, AMERICAN FARM BUREAU FEDERATION, PRESENTED BY HERBERT E. HARRIS, ASSISTANT DIRECTOR, INTERNATIONAL AFFAIRS, AMERICAN FARM BUREAU FEDERATION

Mr. HARRIS. Yes, Mr. Chairman.
Mr. Chairman, my name is Herbert E. Harris. I am the Assistant Director of International Affairs of the American Farm Bureau Federation.
Senator LONG. This is your statement I have in my hand.
Mr. HARRIS. Yes, sir; I have supplied the committee with copies.
Senator LONG. This is entitled "The Statement of George Dietz."
Mr. HARRIS. Yes, sir.
Senator LONG. Are you presenting this for Mr. George J. Dietz?
Mr. HARRIS. Yes, sir. I was about to say I am presenting this for Mr. Dietz, who has a serious illness in his family, and was not able to be here today.
Senator LONG. I see. Mr. Dietz' statement is about 13 typewritten pages, and we will include it in the record at this point.
Mr. HARRIS. Thank you, Mr. Chairman.
And, Mr. Chairman, I would like to ask that the attachments also be printed.
Senator LONG. That will be done as well.
(The statement and attachments are as follows:)

STATEMENT OF GEORGE J. DIETZ, DIRECTOR OF INTERNATIONAL AFFAIRS OF THE AMERICAN FARM BUREAU FEDERATION

We appreciate the opportunity to present the views of the American Farm Bureau Federation with regard to the extension of the reciprocal trade agreements program.

Farm Bureau has supported the reciprocal trade agreements program since its original enactment in 1934. The American Farm Bureau Federation currently supports the extension of the Trade Agreements Act for a 5-year period. A long-term extension under H. R. 12591 is an important measure for expanding two-way trade.

We would like to insert into the record that portion of Farm Bureau policies on international affairs which deal specifically with the reciprocal trade agreements program as adopted by the elected voting delegates of the member State farm bureaus to the 39th annual meeting (attachment I). We wish to insert specific examples of restrictions imposed by other countries that reduce United States agriculture's ability to export (attachment II).

RECIPROCAL TRADE AND NATIONAL SECURITY

Our national security is strengthened by keeping international trade at a high level.

Trade has contributed greatly to the economic recovery of the nations of the free world. It is clear that the United States has a real stake in expanding mutually profitable trade with these nations. Our foreign-trade policy, partially implemented through the reciprocal trade agreements program, is a major national policy with important and far-reaching effects. National security can best be maintained with an increasing number of allies each with sound economies.

We must face the fact that if the Congress fails to extend the act or adopts amendments crippling its effectiveness, United States exports will sharply decline. First of all, there will be swift retaliation by the governments of the countries that are adversely affected. Whether we like it or not, many of these nations finding the door to the United States market closed, or partially closed, will orient trade to markets where they can do business. We may find ourselves isolated—not by foreign intrigue, but as a result of our own action.

No one is exposing top-secret information when they say the Soviet Union is stepping up international trade. It is our understanding that they plan even greater economic offensives. We are told that we must meet the Soviet challenge in the field of economic competition. American agriculture welcomes the challenge.

We acknowledge that national security is of prime importance; however, I have not directed a large portion of this statement to this aspect of the program. I am sure that this phase of the subject will be thoroughly dealt with by witnesses better qualified in this field than I am. However, I do want to say something about the economic aspects of the reciprocal trade agreements program—what it means to the United States economy and particularly what it means to United States farmers.

RECIPROCAL TRADE AND THE UNITED STATES ECONOMY

Farm Bureau is well aware of the importance of trade to agriculture. Trade means dollars for farmers. One of the basic objectives of Farm Bureau is to help farmers secure high per family net incomes.

The reciprocal trade agreements program is not a new program. It has met the test of time. It has been a basic national policy of this country for 24 years. It is not unreasonable to contend that the high and increasing standard of living enjoyed in or country during the past 25 years can be attributed in substantial part to the fact that we have had the trade program.

Almost 15 percent of United States farm output moved into export channels in 1957. Close to 80 percent of our record exports went to countries with whom we have reciprocal trade agreements (attachment III). As much as two-thirds of our total exports to these countries moved under some form of trade-agreements concession to the United States.

The United States is the world's greatest trading nation. In 1957, the value of our exports was nearly $20 billion, while imports were around $13 billion. In recent decades, we have consistently exported more than we have imported. Some of the difference has been made up by our customers providing services, by travel of United States citizens abroad and through investments by American firms. But even including these factors, a serious imbalance still exists.

In 1957, international trade provided jobs directly for over 4.5 million Americans, about 7 percent of the total employed labor force in this country. It seems clear that our own economic self-interest demands a continuation of the trade-agreements program. Moreover, sound, two-way trade can be expanded to provide widening opportunities to sell in world markets.

In overall balance the people of the United States profit from two-way trade. Over 24 percent of our imports consisted of raw materials during 1956. These imports are necessary if our economy is to stay vigorous and dynamic. They are vital to the continuation of our rising standard of living.

Economic development in countries sending us raw materials is important to provide us with an increasing supply of these products. Capital must flow from the developed to the underdeveloped countries to create a basis for expanding mutually profitable trade.

The underdeveloped countries offer large potential markets for products of the United States economy. These markets will grow as the standards of living in these countries gain. We would like to think in terms of establishing real and permanent markets for our farm products in these countries.

RECIPROCAL TRADE AND UNITED STATES AGRICULTURE

At this point I would like to stress the importance of the reciprocal trade agreements program to United States agriculture. Farm Bureau considers this legislation more fundamental to the development and maintenance of long-term permanent foreign markets than such temporary programs as sales for foreign currencies under title I of Public Law 480. It is also preferable to a permanent policy of large appropriations for the foreign-aid program. Therefore, as producers, exporters, and taxpayers, our farmers have a major stake in the extension of the program.

Agricultural exports in fiscal year 1956–57 amounted to $4.7 billion (a record level). About 42 percent of our exports moved under direct Government programs such as sales for foreign currency, gifts and barter (title I of Public Law 480 accounted for 19 percent). Sales for dollars increased by $648 million with cotton sales under the cotton export subsidy program accounting for 75 percent of the increase. The following table indicates fiscal year 1956–57 exports by principal commodities and the amounts moved under direct Government program:

Agricultural exports fiscal year 1957

[Millions of dollars (estimated)]

Commodity	Total exports	Exports under Government programs [1]	Outside of programs	Percentage under Government programs
Wheat	958	655	303	68
Feed grains	361	227	134	63
Rice	190	134	56	71
Rye	91	9	82	10
Cotton	1,115	525	590	47
Livestock products (dairy)	700	240	460	34
Vegetable oil and oil seeds	455	135	320	30
Fruits and vegetables	363	25	338	7
Tobacco	340	30	310	9
Other	151	20	131	13
Total	4,724	2,000	2,724	42

[1] Programs: Public Law 480, all titles, Mutual Security 402, Export-Import Bank loans (only $70 million).

If we included the exports made possible by subsidizing the sales price, we estimate that about 70 percent of our agricultural exports were the result of Government assistance. For example, every bushel of wheat and every pound of flour that we export carries some kind of Government subsidy.

Although Farm Bureau sponsored the original Public Law 480 legislation, we have continued to emphasize the point that Public Law 480 is a temporary program. We have said that it is imperative that American agriculture not become overdependent on these types of sales. A program of sales for foreign currency can benefit American agriculture only a limited length of time before markets start orienting to this way of doing business. The trade becomes acclimated, as it were, to such sales. In short, customer nations start to consider—unconsciously or consciously—the Public Law 480 operations as a normal part of commercial trade. There are indications that just this already has happened in some instances. We view with serious concern evidence that some countries are adjusting their dollar exchange so that very little of it is used for the purchase of American farm products. They are taking for granted that they will be able to purchase a substantial portion of their food and fiber needs from the United States with local currency. This places United States farm products in a very vulnerable position and jeopardizes future dollar markets. Agriculture's primary task in the export field is to develop dollar markets for its products on a permanent basis.

FARM EXPORTS TO TRADE AGREEMENT COUNTRIES

Maintenance of a high level of exports is of great importance not only to the producers of export crops but also to the producers of all other agricultural commodities. If we lose our export outlets and find it necessary to take out of production the 60 millions of acres of cropland now devoted to the production of commodities for export, this land undoubtedly will be shifted to the production of other commodities such as dairy products, beef cattle, hogs, fruits and vegetables, poultry and poultry products. This increased production within the United States would expand the supply of these commodities, and consequently reduce the price and income of the producers now raising such commodities. As regards specific commodities, over 90 percent of our soybean exports, 80 percent of our cotton exports and a like percentage of our fruit and fruit products exports, and about 75 percent of our unmanufactured tobacco exports moved abroad under a trade agreements concession. As shown in attachment IV, supplementary farm products imports have remained fairly constant during the post-war period. In contrast, our agricultural exports are currently at an all-time record level. There is almost a 3 to 1 ratio of farm exports when compared with supplementary imports (attachment V).

In addition to the tariff concessions obtained, these trade agreements are important to United States farmers because of the provisions they contain regarding the gradual liberalization of the import restrictions that many foreign countries have imposed for balance of payment reasons.

A substantial amount of trade liberalization has taken place in recent years on the basis of these provisions.

Details as to the trade liberalization of specific countries in the agricultural field are contained in attachment VI.

Considering strong protectionist trends in most food-deficit countries, it is unlikely that the United States would have obtained this degree of agricultural trade liberalization, had it not been for the obligations those countries had accepted under GATT or other trade agreements with the United States.

However, many important countries have not yet liberalized large sectors of their agricultural import trade. The extension of the trade agreements program will give the United States an opportunity to impress upon other countries the desirability of taking further steps toward liberalizing their imports of our agricultural products.

We do not mean to talk in general or abstract terms in this regard. There are specific laws, regulations and policies individual countries are now employing which are causing bottlenecks for expanded exports of United States farm products. We have included as attachment VII a list by country of some of these "bottlenecks." We strongly recommend that in future negotiations the United States delegation place special emphasis on obtaining liberalization and elimination of these impediments to trade.

RECIPROCAL TRADE AND THE COMMON MARKET

There is still another reason why we consider it important that the trade agreements program authority be extended for 5 years. The Common Market Treaty among six European countries which became effective on January 1st of this year is of critical importance to American agriculture. We are told that trade within this community will be freed by progressive elimination of tariffs and quantitative restrictions; while applying a common tariff to imports from third countries. Ultimately, they plan to develop a common agricultural policy and common agricultural institutions. There are indications that the Common Market will be broadened.

Together, the six countries of the Common Market form by far the largest foreign market for our farm products. In fiscal year 1957, United States agricultural exports to these countries amounted to $1.3 billion or 28 percent of all United States agricultural exports. Secondly, this market has been predominantly a dollar market. American farmers have a real stake in preserving and expanding exports of farm products to this area.

The six countries are all members of GATT. This is of increasing importance to the American farmer because GATT offers an opportunity to work for the safeguarding of the traditional interests of our farmers in the European market. As the delegates to the last annual American Farm Bureau Federation convention stated, "the Common Market can broaden the market for United States farm products if it lowers average restrictions, but it will be harmful if it increases restrictions against outside products or results in new preferential arrangements with other suppliers." It is extremely important that the Common Market be closely watched during these formative years. It is far easier to encourage favorable consideration for our products at the outset than to undo an established institution with set regulations. Let us not get caught with a policy of "too little, too late." We need to recognize and assess correctly developments abroad and have effective programs to promote and protect the interests of the United States.

It is imperative that the President be given the necessary authority to vigorously protect United States trade interests in Europe and to assure that the Common Market does not act to restrict United States exports. To this end the most important factor is the firm expression of Congress that the reciprocal trade agreements program remains a basic national policy and will remain so in the coming years.

UNITED STATES AGRICULTURE'S REPRESENTATION AT GATT SESSIONS

For some time Farm Bureau has not satisfied with procedures followed by the United States Government insofar as agricultural representation at GATT negotiations is concerned. We believe that a greater number of responsible farm leaders with a broad interest in the general welfare of agriculture should be appointed as advisers to assist in preparing for and conducting negotiations with foreign governments prior to entering into such foreign trade agreements. To this end we feel that section 3 (e) of H. R. 12591 is a step in the right direction.

We have heard numerous comments that the United States is at a definite disadvantage because foreign countries apparently make greater use of agricultural representatives at the negotiations. We would be less than candid if we did not say that, if the GATT is to have the continued support of American agriculture, the Government should make certain that agricultural, as well as industrial interests, are adequately and proportionately represented.

COMPARATIVE ADVANTAGE

One of the most basic economic truths is that individuals and countries gain most when each produces that which he (it) has the greatest "comparative advantage." International trade is built around this principle. The United States sends abroad a wide assortment of quality products which, because of our technology, specialization and efficiency, we are best able to produce and export for a profit.

We believe H. R. 12591 would give the President authority under which he could reduce the restrictions on trade and thereby facilitate expansion of the exports of products we produce relatively most efficiently and most profitably in exchange for reciprocal concessions on products which we produce relatively less efficiently. The United States would gain not only through the expansion of profitable exports, but by imports which improve United States standards of living.

Most of our exports are products which we produce at least as efficiently as other countries. This is true for many of our farm products. It is not accurate to assume that most segments of United States agriculture cannot compete with the rest of the world. Even in the case of commodities such as wool, where we have large imports, the basic problem faced by producers is not foreign competition but competition with the rest of American agriculture and industry for land, labor, and capital.

Unrealistically high support programs in the United States on most so-called basic farm commodities have protected world market prices. These programs have tended to price us out of the world market during most of the postwar period. High price support programs have weakened our competitive position in international trade. Our farmers can compete in the world market. They must be given a chance to sell quality products for dollars.

RECIPROCAL TRADE AGREEMENTS PROGRAM NOT A FREE-TRADE PROGRAM

The reciprocal trade agreements program is not a free-trade program. It is a systematic approach toward reducing the barriers to increased international trade. Under the present law the President's authority to reduce tariffs is highly restricted with numerous protections for domestic industry.

Some of the restrictions on this authority are:

(1) The President may reduce a tariff only when reciprocal concessions are made by other countries. He is not authorized to reduce a duty on a unilateral basis.

(2) Before negotiations can commence on a trade agreement, the Tariff Commission must determine for all items on which negotiations are contemplated "the limit to which such modification might be extended without causing or threatening serious injury to domestic industries." Should the agreement break these "peril points," the President must report to Congress.

(3) The so-called escape clause has been included in every agreement since 1943 although it has been a part of the law only since 1951. An industry can apply to the Tariff Commission for a recommendation of increased restrictions on competitive imports by showing serious injury or likelihood of injury caused by tariff concession under the reciprocal trade agreements program.

Farm Bureau policy for 1958 is as follows:

"The 'escape clause' should be maintained as an appropriate means of avoiding undue hardship to any industry. Final authority for action under this clause should remain with the President in order to assure the proper consideration of all factors influencing the Nation's well-being."

We believe it is in the best interests of the United States to continue the current procedure for hearing and deciding actions under the "escape clause."

If this program is to continue as a method for reducing trade barriers and if it is not to be used as a vehicle for increasing overall trade restrictions, it is essential that the President retain the authority to take into consideration all the factors affecting the Nation before applying Tariff Commission recommendations.

(4) National security amendment: Farm Bureau policy on this matter is as follows:

"The Tariff Commission has been established by Congress as the body responsible for evaluating requests for import controls. An amendment to the Reciprocal Trade Agreements Act provides that this congressional mechanism can be bypassed under the guise of national security. We believe this circumvention of the Tariff Commission establishes an extremely unforunate precedent. Appropriate action should be taken to correct this situation."

We, therefore, recommend that the law be amended so that no action shall be taken pursuant to the national security amendment unless the Tariff Commission finds that imports are entering the United States in such quantities as to threaten to impair the national security.

(5) Section 22 (Agricultural Adjustment Act)—increased tariffs or quotas may be applied to any commodity, the importation of which is disrupting a Federal agricultural program. This is an important agricultural law. While Farm Bureau has supported the use of section 22 as a measure for the protection of domestic programs, AFBF has opposed its use when the real objective has been to impose trade barriers rather than to protect domestic programs. Furthermore, the Farm Bureau has worked to revise domestic farm programs to insure that they make economic sense to farmers and the national welfare.

Section 22 contains a number of safeguards designed to prevent abuse. Import fees may not be imposed at a rate in excess of 50 percent ad valorem. Imports may not be limited to quota to less than 50 percent of the quantity of a commodity that was imported during a representative period. These provisions are intended to prevent section 22 from being used to completely embargo imports, and to permit the continued importation of products that might be expected to come in in the absence of a domestic support program.

(6) Antidumping—an additional duty must be applied to the importation of any product which is being sold in the United States at a price less than in the country of manufacture and where such imports are causing injury to a domestic industry.

(7) Countervailing duties—whenever a foreign government subsidizes a price on a product being exported to the United States, additional duties may be imposed to the full extent that the price is subsidized.

(8) Forced labor—any products produced or manufactured by forced labor may be prohibited from importation into the United States.

(9) Another very important protection is that Congress has the final authority under the trade agreements program. It has been necessary to return to Congress periodically for reenactment of trade agreements legislation, which has provided a recurring opportunity to appraise the program. This periodical review by Congress has served as a check to insure that the trade agreements program is administered as Congress intended.

However, with all of these protections and built-in procedures for relief, the reciprocal trade agreements program is constantly threatened by special legislation in Congress increasing the tariff rate on a specific commodity or group of commodities. Legislated tariffs threaten the structure of the trade agreements program because it has been demonstrated that it is difficult to legislate an increased tariff for one product without doing so for a whole series of products. It would also undermine the procedures and safeguards outlined above if it were possible to obtain special protective legislation from Congress.

THE NEED

Although restrictive amendments adopted in prior years have reduced somewhat the potential effectiveness of the program, Farm Bureau feels the reciprocal trade agreements program can continue to contribute substantially to the security and prosperity of the United States if additional restrictive amendments are avoided.

Protectionists quickly latch on to any downturn in business activity and employment as an argument for greater import restrictions. A similar argument was advanced in 1930 when Congress passed the restrictive Smoot-Hawley Tariff Act. Passage of this act not only failed to halt the downturn but undoubtedly contributed to the development of a worldwide depression. The reciprocal trade agreements program originally was designed to help this Nation recover from a recession. Expanded trade means more markets, more opportunity, an expanded economy. The dangers of a recession do not indicate the need for more restrictions. They emphasize the need for and importance of a vigorous trade program.

Recent developments on the international scene have alarmed many of our people. The advent of atomic power, hydrogen bombs long-range rockets, earth-orbiting satellites has intensified the recognition that alliances of the free world must be cemented and that inducements must be presented to all freedom-loving people to join with the free world.

Trade—the ability to sell, to earn, to buy—is the greatest inducement we can offer any nation. Without expanding international trade, free world unity is most difficult, if not impossible, to attain.

ATTACHMENT I. 1958 POLICIES, AMERICAN FARM BUREAU FEDERATION, INTERNATIONAL AFFAIRS

RECIPROCAL TRADE AGREEMENTS

In order to promote a high level of trade among nations the following policies should be supported:

(1) We consider the long-term extension of the Reciprocal Trade Agreements Act to be of critical importance to the American farmer and to the Nation as a whole. The reciprocal trade agreements program has been a basic national policy for over 20 years. It has provided a means toward obtaining an expanding economy based on a high level of mutually beneficial international trade and unity of the free world necessary for national security. This program is fundamental to the maintenance and development of foreign markets for American farm products. Unless foreign customers are given a greater opportunity to earn dollars with which to buy our farm products, American agriculture may be forced to resort continually to interim programs such as sales for foreign currency. In order to create the confidence necessary for permanent trade relations, it is important to assure stability in our foreign-trade policies.

Continued efforts should be made to negotiate agreements to reduce trade barriers, eliminate unfair or discriminatory trade practices, and develop measures of international cooperation for the expansion of trade.

The United States should insist that other nations adhere to their commitments under reciprocal trade agreements.

Reduction of duties on those items which are needed for farm production and which are a significant factor in the price-cost squeeze should receive special emphasis.

The escape clause should be maintained as an appropriate means of avoiding undue hardships to any industry. Final authority for action under this clause should remain with the President in order to assure the proper consideration of all factors influencing the Nation's well-being.

Section 22 provides a necessary protection for Government programs and should, where necessary, be applied with minimum delay.

ATTACHMENT II. TRADE BARRIERS TO THE IMPORT OF AGRICULTURAL PRODUCTS [1]

BELGIUM

In the summer of 1954 Belgium-Luxembourg and the Netherlands published a common list of commodities freed from quantitative controls when imported from the dollar area, including such agricultural products as cotton, tobacco, coarse grains, canned fruits, etc. For some products, not on the free list, licenses are nevertheless granted freely. It goes without saying that commodities which are subject to protective measures as mentioned above are also subject to quantitative restrictions if imported from the United States.

CANADA

Canada controls grain imports through a trade monopoly but admits most of the other United States agricultural export products without restrictions.

DENMARK

Denmark has, for many years, exercised quantitative control over imports of United States farm products by way of foreign exchange regulations and licensing. Fruits have been especially hard hit, because they have been considered luxuries. Cotton, tobacco, oilseeds, rice, sorghums, feedstuffs, raisins, and some less important products have been freed from control.

[1] From official sources.

FINLAND

Owing to inflationary pressures, Finland devalued its currency and revamped its import-control system. With the exception of some pasture seeds, United States farm products remain subject to trade controls.

FRANCE

France never liberalized any important United States agricultural product. As a result of a deterioration of its gold and dollar assets in 1957, it deliberalized all products from the dollar and OEEC area. France also devalued the franc by 20 percent.

WEST GERMANY

Apart from cotton, tobacco and oilseeds, citrus fruit and some fruit juices, most agricultural products imported into Germany from the dollar area are subject to quantitative control. Such control is not exercised over many imports from countries belonging to the Organization for European Economic Cooperation. Moreover, Germany has bilateral trade agreements with a great number of countries, often stipulating import quotas for major agricultural products—an indication that the United States products are not receiving equal treatment.

As a result of liberalization measures taken in January 1958, the majority of important United States farm products are controlled by means of state trading. Those products are grains, butter and meat, etc. Raisins, poultry, fresh deciduous fruits, edible vegetable oils are subject to other import controls.

Farm Bureau believes there are no longer valid reasons for imposing quotas on the importation of any horticultural products. Liberalization of United States horticultural products is called for.

GREECE

No quantitative controls on agricultural imports from the United States, import licenses being automatically issued when deposit conditions met. Only exception is grains, still largely state traded, but purchased principally from the United States.

ITALY

Nearly all agricultural imports from the United States are subject to license, as are those from all except OEEC countries and their overseas territories. Imports on private account of most commodities from the latter areas have been liberalized. In general, licenses for imports of United States agricultural products are granted only if the products are considered essential and are not available in Italy or from OEEC countries. The tendency is also to favor imports from countries with which Italy has bilateral clearing agreements. Italian imports of wheat, which are state controlled, are obtained insofar as possible from nondollar areas, in particular Argentina and Russia. Previously, Italy liberalized inedible tallow, cotton linters, and some other minor products. In 1957 it liberalized cotton, which is the most important farm product the United States exports to it.

NETHERLANDS

In the summer of 1954 the Netherlands and Belgium published a common list of commodities which had been freed from quantitative controls when imported from the dollar area, including such agricultural products as cotton, tobacco, coarse grains, canned fruits, etc. It is claimed that the Netherlands now permit free imports of farm products from the dollar area to the same extent as from the OEEC area with the exception only of those United States products which enjoy an export subsidy. For some products not on the free list, license may nevertheless be granted freely.

NORWAY

For the first time in the postwar period Norway liberalized imports of apples, pears, peaches, and plums for a major part of the 1957–58 marketing year. Cotton and tobacco is liberalized and is usually obtained from the United States. Grains are subject to state trading and suppliers are determined on the basis of price, quality, and to some extent on bilateral trade agreement commitments.

SWEDEN

The commodities subject to price regulations and centralized imports (i. e., bread grains, meats, eggs, dairy products, fats, sugar, and tobacco) are generally subject to control from whatever source imported. Other United States farm products are also subject to restrictions, unless specifically liberalized. Swedish dollar liberalization list of late 1954 included such important farm products as cotton, rice, dried and canned fruits, fruit juices, hides, and skins. Tobacco, flaxseed, linseed oil, and fresh fruits are on the so-called transit-dollar list. In these commodities licenses are granted freely, when payment is made in transit dollars, available at a premium of about 3 percent.

Sweden freed from licensing requirements in 1957, wheat, rye, and other grains, flour, live animals, oilseeds, some vegetable oils, margarine and some other minor products. However, should import prices fall below the minimum set in the new price-support program, import restrictions might be imposed. To protect local producers apple and pear imports remain under seasonal restrictions. Tobacco, citrus, and certain other fruits and berries are admitted by Sweden without quantitative restrictions, if payment is made in nondollar currencies or in so-called transit dollars (i. e., dollars bought through commercial banks at a small premium).

UNITED KINGDOM

United States grain and cottonseed oil shipments to United Kingdom are not only subject to individual import licenses issued for specified periods, but also subject to indirect controls and certain exchange regulations. United States cotton is permitted entry under open license. Fresh meat and dairy imports were decontrolled by the Ministry of Food in 1955, although United States butter, cheese, and meat imports are restricted to special trade arrangements or issuance of individual licenses. Bacon and ham imports are to be controlled indefinitely. United States lard is subject to special import regulation. Most other agricultural commodities from the dollar area are still prohibited or subject to special allocations of dollar exchange varying greatly from year to year.

In our statement before the House we said that the United Kingdom was an example of discriminatory treatment as regards fruit. In view of the significance of the British market, Farm Bureau urged that the United States Government negotiate an opportunity for United States fruits to compete in that market in a normal commercial manner under conditions comparable to those accorded fruits from other countries. This meant early liberalization of United States horticultural products by the United Kingdom. We are happy to say that British Government has recently announced that $20 million worth of American fruit will be permitted to enter the United Kingdom. This represents progress and a return to trade for dollars through normal trade channels.

CUBA

Cuba has no exchange control and requires licenses for importation of some agricultural products, i. e., wheat and rice, etc. Import quotas are issued to importers of wheat and flour to control the entry of 202,000 metric tons assigned Cuba under the International Wheat Agreement. From time to time Cuba imposes restrictive measures to limit imports for a specified time. Imports of broken rice are restricted and some dry beans and dairy products are subject to quotas.

CHILE

Most imports into Chile are subject to license by the National Foreign Trade Council (CONDECOR). Licenses are granted according to quotas fixed on the basis of the annual foreign exchange budget which is prepared by CONDECOR. Items which are not mentioned in any way in the foreign exchange budget or its supplementing regulations are prohibited importation. A tax of 15 pesos per United States dollar is assessed on the exchange cover authorized for the import license granted.

The government agency (INACO) has been the sole purchaser of wheat, beef, cotton, and other items.

BRAZIL

Imports into Brazil, with few exceptions, require import permits. The principal control of trade, however, is through a multiple exchange rate system. All commodities, except wheat, petroleum and newsprint, are divided into two import categories, special and general. Exchange certificates are auctioned for each category, with high premiums for the dollar. These auctions are divided into three separate categories, one for dollars, one for members' currencies of the "Hague Club" and the third for all other currencies. This system tends to increase the cost of products imported from the United States.

Wheat imports are made exclusively by the Government and exchange is made available outside the auction system.

DOMINICAN REPUBLIC

Imports are subject to license, which is issued (without restriction except as stated below) upon arrival of imports. Exchange permit is not necessary, but all applications for foreign exchange require Government approval, which is granted almost automatically for bona fide commercial transactions.

Agricultural commodities subject to quantitative restriction: Rice imports prohibited unless for seed.

There are no other quantitative restrictions on agricultural commodities.

HAITI

Imports into Haiti are not subject to a quota system. Licenses are not required for imports of agricultural products, with the exception of tobacco products. There is a state monopoly which handles all transactions in tobacco products.

NICARAGUA

All imports into Nicaragua are subject to license for exchange control purposes only.

URUGUAY

All merchandise imports into Uruguay, regardless of origin or type of exchange involved, are subject to exchange control. A prior import permit usually assures the importer of the foreign exchange needed to cover his purchase and is in effect a license.

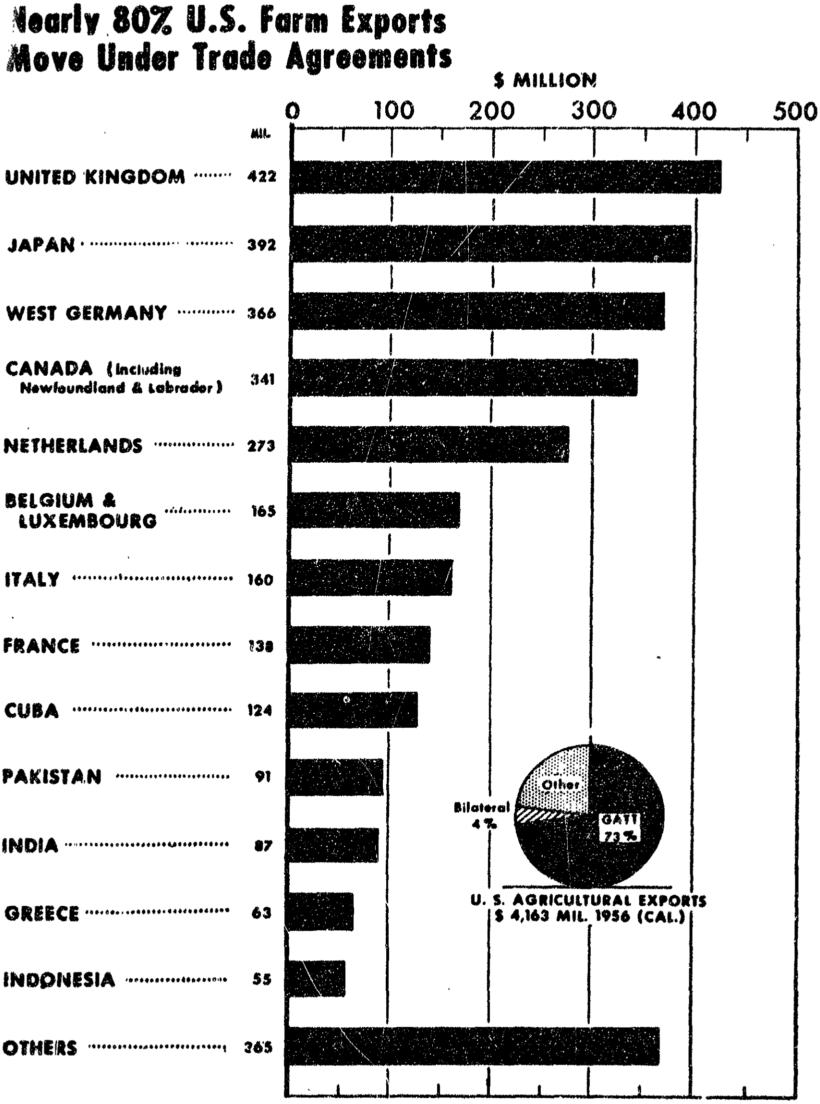
Principal agricultural commodities and import restrictions: The following farm products require import permits: Cotton, tobacco, butter, potato seed, potatoes.

PERU

Import licenses are not required on agricultural products but there are discriminatory duties on the following farm products: Wheat, wheat flour, barley malt, pears, fresh, canned fruit, dried fruit, canned vegetables, tobacco.

SWITZERLAND

Switzerland controls imports of grains and oilseeds through state trading but has no controls on imports of tobacco, cotton, citrus, and some other fruit products. In her controls Switzerland does not discriminate against the United States.


Nearly 80% U.S. Farm Exports
Move Under Trade Agreements
$ MILLION
0
100
200
300
400
500
MIL.
UNITED KINGDOM 422
JAPAN 392
WEST GERMANY 366
CANADA (including Newfoundland & Labrador) 341
NETHERLANDS 273
BELGIUM & LUXEMBOURG 165
ITALY 160
FRANCE 138
CUBA 124
PAKISTAN 91
INDIA 87
GREECE 63
INDONESIA 55
OTHERS 365
Other
Bilateral 4%
GATT 73%
U. S. AGRICULTURAL EXPORTS
$ 4,163 MIL. 1956 (CAL.)

ATTACHMENT IV

Value [1] of agricultural imports (for consumption), averages 1914–18 to 1949–53 and annually 1929–30 to 1956–57

Year beginning July 1	Supplementary [2]	Complementary [2]	Total agricultural	Percentage supplementary is of total agricultural: Imports	Percentage supplementary is of total agricultural: Exports
	Million dollars	*Million dollars*	*Million dollars*	*Percent*	*Percent*
Average—					
1914–18	924	612	1,536	60	43
1919–23	1,288	870	2,158	60	54
1924–28	996	1,252	2,248	44	51
1929–33	495	574	1,070	46	53
1934–38	616	537	1,153	53	82
1939–43	835	631	1,466	57	71
1944–48	1,301	1,134	2,435	53	41
1949–53	1,884	2,417	4,300	44	58
Annual—					
1929–30	889	1,011	1,900	47	59
1930–31	512	650	1,162	44	49
1931–32	375	459	834	45	50
1932–33	282	332	614	46	48
1933–34	419	420	839	50	58
1934–35	498	436	934	53	74
1935–36	642	499	1,141	56	84
1936–37	867	670	1,537	56	118
1937–38	588	567	1,155	51	66
1938–39	486	513	999	49	71
1939–40	572	667	1,239	46	78
1940–41	620	854	1,474	43	180
1941–42	769	734	1,503	51	75
1942–43	963	379	1,342	72	64
1943–44	1,244	530	1,774	70	54
1944–45	1,111	618	1,729	64	51
1945–46	1,033	846	1,878	55	36
1946–47	1,387	1,317	2,704	51	38
1947–48	1,444	1,418	2,862	50	41
1948–49	1,532	1,469	3,001	51	40
1949–50	1,653	1,525	3,177	49	52
1950–51	2,289	2,858	5,147	44	67
1951–52	1,971	2,718	4,689	42	49
1952–53	1,911	2,302	4,213	44	68
1953–54	1,694	2,482	4,176	41	58
1954–55	1,509	2,272	3,781	40	48
1955–56 preliminary	1,583	2,503	4,086	39	45
1956–57 preliminary	1,538	2,262	3,800	40	33

[1] For values by months, from January 1914 through December 1951.
[2] General imports prior 1934, subsequently imports for consumption.

Value of agricultural and total foreign trade, averages 1914–18 to 1949–53—annually 1929–30 to 1956–57

[Dollars in millions]

Year beginning July 1	Domestic exports			Imports (for consumption)		
	Agricultural	Total	Percent agricultural of total	Agricultural	Total	Percent agricultural of total
			Percent			*Percent*
Average:						
1914–18	$2,163	$5,227	41	$1,536	$2,515	61
1919–23	2,407	5,229	46	2,15[illegible]	3,767	57
1924–28	1,948	4,871	40	2,248	4,196	54
1929–33	933	2,596	36	1,070	2,171	49
1934–38	748	2,700	28	1,153	2,260	51
1939–43	1,184	7,776	15	1,466	3,023	48
1944–48	3,199	12,046	27	2,435	5,373	45
1949–53	3,241	13,725	24	4,300	9,922	43
Annual:						
1929–30	1,496	4,618	32	1,900	3,849	49
1930–31	1,038	3,032	34	1,162	2,432	43
1931–32	752	1,908	39	834	1,730	43
1932–33	590	1,418	42	614	1,168	53
1933–34	787	2,008	39	839	1,674	50
1934–35	669	2,085	32	934	1,789	52
1935–36	766	2,375	32	1,141	2,208	52
1936–37	732	2,791	26	1,537	2,892	53
1937–38	891	3,362	27	1,155	2,331	50
1938–39	683	2,885	24	999	2,079	48
1939–40	738	3,744	20	1,239	2,448	51
1940–41	350	3,959	9	1,474	2,809	52
1941–42	1,082	6,451	16	1,503	3,074	49
1942–43	1,497	10,028	15	1,342	3,015	45
1943–44	2,305	14,098	16	1,774	3,818	46
1944–45	2,191	12,549	17	1,729	3,965	44
1945–46	2,857	8,468	34	1,878	4,222	44
1946–47	3,610	12,725	28	2,704	5,396	50
1947–48	3,505	13,799	25	2,862	6,320	45
1948–49	3,830	12,690	30	3,001	6,971	43
1949–50	[illegible]	10,104	30	3,177	7,026	45
1950–51	3,411	[illegible]	27	5,147	10,754	48
1951–52	4,053	15,571	26	4,609	10,452	45
1952–53	2,819	15,126	19	4,303	10,887	40
1953–54	2,936	15,226	19	4,176	10,498	40
1954–55	3,144	14,027	21	3,781	10,428	36
1955–56 preliminary	3,496	16,806	21	4,086	12,095	34
1956–57 preliminary	4,724	20,655	23	3,800	12,672	30

Attachment V

Value of United States foreign trade in agricultural products, July 1, 1956, through June 30, 1957

[In thousands]

Commodity or commodity group	Exports (domestic)	Imports (for consumption)	Net + exports − imports
SUPPLEMENTARY			
Cotton and linters, unmanufactured	$1,125,808	$19,925	+$1,105,883
Wheat, grain	817,880	[1] 2,010	+815,870
Wheat flour	113,236	310	+112,926
Rice	173,267	1,557	+171,710
Corn	211,080	2,324	+208,756
Oil cake and oil cake meal	34,350	5,657	+28,693
Other feed grains, feeds and fodders	149,974	73,630	+76,344
Oilseeds	209,899	45,345	+164,554
Vegetable oils (expressed)	244,771	87,747	+157,024
Animals, live (excluding poultry)	16,867	29,859	−12,992
Lard	81,181	0	+81,181
Tallow (inedible)	110,348	.86	+110,202
Meats	95,069	134,057	−38,988
Hides and skins	63,453	50,559	+12,894
Poultry and eggs and egg products	45,775	1,041	+44,734
Butter	11,706	389	+11,317
Cheese	15,950	28,062	−12,112
Condensed and evaporated milk	37,502	5	+37,497
Milk powders (whole and nonfat)	50,658	184	+50,474
Tobacco, leaf	339,500	84,284	+255,216
Citrus fruits	59,722	549	+59,178
Deciduous fruits, fresh	17,496	4,591	+12,905
Dried fruits	40,912	1,774	+39,138
Canned fruits and juices	85,784	35,940	+49,844
Other fruits and preparations	26,094	24,663	+1,431
Sugar	1,307	441,192	−439,885
Wool, unmanufactured (excluding free in bond)	15,340	116,069	−100,729
Food for relief or charity	158,771		
Other supplementary (imports)		346,779	
Subtotal	4,353,706	1,538,594	3,003,120
COMPLEMENTARY			
Silk, raw	0	27,770	−27,770
Wool, unmanufactured (free in bond)		104,062	
Bananas	0	68,970	−68,977
Cocoa or cacao beans	0	122,141	−122,141
Coffee	16,126	1,396,025	−1,379,899
Tea	0	53,065	−53,065
Spices	2,535	29,069	−26,534
Rubber, crude	33	343,808	−343,775
Other complementary (imports)		116,641	
Other agricultural (exports)	351,371		
Total:			
Supplementary		1,538,594	
Complementary		2,201,558	
Total agricultural	4,723,771	3,800,152	+923,619
Total, all commodities	20,655,127	12,671,636	+7,983,491

[1] Excludes wheat unfit for human consumption.

Source: Compiled from official records, Bureau of the Census, January 1958.

Attachment VI. Trade Liberalization Under GATT by Country

Austria: Liberalized, i. e., no quantitative restrictions:

- Cotton
- Rice
- Soybean and cottonseed oils
- Oranges, lemons
- Dried fruit
- Tree nuts
- Pineapples
- Certain canned fruit juices (grapefruit and pineapple juices, and mixtures)
- Certain canned fruit (pineapples, guavas, grapefruit, and peaches)

ATTACHMENT VI. TRADE LIBERALIZATION UNDER GATT BY COUNTRY—Con.

Belgium: Liberalized, i. e., no quantitative restrictions:
- Cotton
- Tobacco
- Corn and sorghum
- Barley and oats
- Pulses
- Oilseeds
- Prunes and raisins
- Oranges and lemons
- Canned fruits, nuts, figs
- Flour and groats, except of wheat and rye
- Tallow
- Condensed milk, milk powder
- Poultry
- Honey

Denmark: Liberalized, i. e., no quantitative restrictions:
- Cotton
- Tobacco
- Oilseeds
- Rice
- Hops
- Pulses
- Various seeds
- Feedstuffs (oilcake, bran, etc.)
- Sorghum
- Undressed hides and skins
- Casings

West Germany: Liberalized, i. e., no quantitative restrictions:
- Cotton
- Tobacco
- Oilseeds
- Vegetable oils, raw, for technical use (inedible)
- Hogfat and tallow for technical use
- Hydrogenated fats and oils for technical use
- Dried fruit (except raisins and currants)
- Tomato juice and powder
- Eggs, liquid, frozen, or dried

Greece: Liberalized, i. e., no quantitative restrictions:
- Oilseeds
- Vegetable oils
- Meats
- Dairy products
- Cotton

Italy: Liberalized, i. e., no quantitative restrictions:
- Cotton
- Cotton linters
- Inedible tallow
- Hides and skins
- Oilcake and meal
- Fats from bones, kitchen and slaughterhouse residues

The Netherlands: Liberalized, i. e., no quantitative restrictions:
- Cotton
- Tobacco
- Corn and sorghum
- Rye, barley, and oats
- Flour and groats, except of wheat and rice
- Oilseeds
- Raw vegetable oils
- Canned fruits
- Nuts and figs
- Canned vegetables, except tomatoes
- Frozen beef and mutton
- Poultry
- Honey

ATTACHMENT VI. TRADE LIBERALIZATION UNDER GATT BY COUNTRY—Con.

Norway: Liberalized, i. e., no quantitative restrictions:
- Cotton
- Tobacco
- Oilseeds
- Citrus fruits
- Nuts
- Dried fruits
- Hops
- Hides and skins
- Tallow
- Casings

Portugal: Liberalized, i. e., no quantitative restrictions:
- Hops
- Canned meat, fruit, and vegetables (except sweetened fruit and capers)

Sweden: Liberalized, i. e., no quantitative restrictions:
- Wheat and wheat flour
- Rye and rye flour
- Corn
- Rice
- Cotton
- Dried fruit, nuts, canned fruit and juices
- Flaxseed, soybeans, peanuts
- Crude linseed oil
- Oilcake and other feeds
- Hops
- Smoked and salted horsemeat
- Hides and skins

Switzerland: Liberalized, i. e., no quantitative restrictions:
- Citrus fruit
- Tobacco
- Cotton

United Kingdom: Liberalized, i. e., under open general license:
- Wheat and wheat flour
- Rice
- Corn and sorghums
- Barley and malt
- Oats and oatmeal
- Starches and starch preparations (not packed for retail sale)
- Hops
- Dried beans, peas, lentils
- Animal fats, except butter
- Soybeans, flaxseed
- Vegetable oils
- Oilcake and meal
- Cotton linters
- Hides and skins

ATTACHMENT VII. RESTRICTIONS TO EXPANDING INTERNATIONAL TRADE WHICH SHOULD BE REDUCED UNDER THE RECIPROCAL TRADE AGREEMENTS PROGRAM

Particularly since the war a great many restrictions have been imposed by governments to limit international trade. These restrictions apply, of course, to industrial and agricultural products, and the authority contained in H. R. 10368 is needed to remove them from both. However, we shall again limit our observations and examples to the areas with which we are most familiar—those affecting international trade in farm products.

I. IMPORT LICENSING AND QUOTAS

Heading the list of restrictions to international trade is import licensing and quotas. Three-fourths of agricultural exports go to the so-called soft currency nations who use import licensing and impose import quotas. There are a variety of reasons for the use of these practices. They are imposed (*a*) to protect domestic producers, (*b*) to conserve certain foreign currencies, particularly dollars, (*c*) to promote markets for home products, (*d*) to balance trade with important marketing areas and (e) to attain predetermined desirable levels of foreign exchange reserves. American dollars are one of the hardest and therefore one of the scarcest currencies in international exchange. The dollar shortage, including a need to establish adequate dollar reserves, is the principal basis given by countries for imposing import quotas. Therefore, the imposition of import quotas by foreign countries has been the principal limitation on the exports of United States products.

II. IMPORT DUTIES AND TAXES

Import duties are the traditional restrictions to trade. They are imposed for the purpose of protecting certain domestic producers from competition from abroad. Many duties in effect today are of such an amount as to increase the price in consuming countries to a point that either restricts or destroys the market. For example, one country has an import tax on dried skim milk which has the effect of doubling the price to the consumers. It makes dried skim milk so high that we have little opportunity to expand a market in that country, even though the need is great.

III. CUSTOMS PROCEDURES

Customs procedures are needed to account for imports and to evaluate them as a basis for imposing duties. Customs procedures designed to facilitate this work are essential. Unfortunately, these procedures are often rigged so as to provide additional hindrances to imports.

IV. HEALTH AND SANITARY RESTRICTIONS

It is only logical that a nation control imports to make sure that they do not bring in injurious products or introduce plant or animal diseases. However, these provisions are also used by protectionist groups to add unnecessary impediments to imports over and above the duties and taxes.

V. FOREIGN EXCHANGE MANIPULATIONS

Many countries resort to the manipulation of the rates of exchange between their own currency and others in order to profit on imports, to increase the competitive advantage of their exports or as a device for protecting domestic producers, depending upon the administrative policies of the government.

VI. GOVERNMENT AND QUASI-GOVERNMENT EXPORT AND IMPORT MONOPOLIES

In many countries, governments operate import and export monopolies. In the case of export monopolies they determine export prices, the rates of exchange on various currencies and other practices which promote their national interests. We are particularly conscious of this in American agriculture. Practically all major competing exporting countries of all major farm products entering foreign markets operate such export monopolies. The United States is hard pressed to find ways of marketing farm products in foreign markets in competition with these monopoly practices of other nations. The problem is further complicated by the fact that so long as certain United States farm products are priced above market levels, the CCC becomes the sole buyer for these products for export. In these cases the United States indulges in monopolistic practices similar to those of other countries. On the other hand, many American products are priced competitively in world markets. Yet the exporters of these products are placed at a disadvantage by the operations of competing monopoly exporters and further by monopoly importers.

VII. PRIVATE CAPITAL DISCOURAGED

The flow of private capital is an essential prerequisite to expanding international trade and to improve the United States balance of payments. Many countries impose restrictions and handicaps on foreign investment which discourages its flow.

The seven points above constitute the major restrictions to expanding international trade among nations. These restrictions are all restrictions imposed on trade by governments. They are restrictions which limit the exports of United States industrial and farm products. They result in contraction of the most efficient industries, they result in enforced contraction of the most efficient agricultural production.

Therefore, one part of the foreign trade program supported by the American Farm Bureau Federation is to authorize the President of the United States to negotiate with foreign governments to reduce or eliminate these restrictions imposed against United States products. Along with this authority the President must be given some trading stock in the form of United States trade concessions.

We believe that enactment of H. R. 10368 would give the President the authority to negotiate agreements which will result in expanding mutually profitable trade and in increasing exports of industrial and farm products and still give reasonable protection to domestic industrial and agricultural producers from disruptive rates of increased imports.

Senator LONG. Please proceed.

Mr. HARRIS. Now, with the chairman's permission I would just like to hit the high points of this statement, and then answer whatever questions the committee might have, sir.

Senator LONG. Thank you, sir.

Mr. HARRIS. We support the House bill, H. R. 12591. We feel that as far as our national security is concerned, the reciprocal trade agreements program is extremely important.

We shall not discuss at length the current economic offensive of the Soviet Union. The committee is familiar with these facts.

We feel that an expanded and dynamic foreign trade program is essential if we are to meet this Communist threat.

Now, we would like to discuss the reciprocal trade program in the framework of a program which is not new. It has been tried. It is a 24-year-old program.

We do not feel it is unreasonable to contend that the high and increasing standard of living in this country is in large respect due to the establishment of this program.

We consider this legislation as more important to the fundamental needs of American agriculture than such temporary programs as Public Law 480 and other Government interim-type programs.

As a matter of fact ' st year when our agricultural exports were at record levels, $4.7 million dollars, over 40 percent of those exports went under a Government program such as Public Law 480, section 402 and the like. We feel that this is a danger sign, that we are putting agricultural exports in a very precarious position.

It is important that agricultural exports be based on long-term markets, permanent markets for dollars, and this is the real answer to some of agriculture's problems.

Now, we all are familiar with the commodities in agriculture, that are so very dependent on exports, wheat, cotton, rice, and so forth, but even other products, which do not have a large export market, share in the benefits of exports because we know if this 60 million acres of cropland that is devoted to exports now were shifted over to another type of production they would compete with and bring down the price of these domestically consumed products.

We would like to point this out: Over 90 percent of our soybean exports, 80 percent of our cotton exports and a like percentage of our fruit and fruit products exports and about 70 percent of our unmanufactured tobacco exports moved abroad under a trade-agreement concession.

This, we think, dramatizes the importance of reciprocal trade agreements program and GATT, if you will, to American agriculture.

We have listed as attachment VI the many trade liberalizations that we have obtained under the general agreements on tariffs and trade.

We do not want to talk in general terms. This is a specific list of real trade liberalizations that we have obtained.

On the other hand, we recognize there are many other things that should be done. We would like for American negotiators to put more emphasis on freeing our agricultural exports from some of these restrictions placed on them by other countries.

Again we do not want to talk in abstract terms here, and in attachment VII we have listed the particular trade restrictions and discriminations that other countries are applying on our farm exports that we would like to see removed.

As an example of this, Germany has more or less hidden behind the curtain of dollar shortages to impose import quotas of various kinds, such as import licensing on agricultural exports from the United States.

There is now a GATT committee investigating this. We have the mechanism to move in on situations like this.

We would hope that multilateral pressure can be brought against Germany to ease these dollar restrictions since there is really no longer any real substantiation for such restrictions on a dollar shortage basis.

Again, the United Kingdom has had strict restrictions on agricultural products, especially fruit, from this country.

We were pleased to see that the United Kingdom has now agreed to accept $20 million more of fruit products from the United States in the coming year.

We think this represents progress.

On the other hand, there are many other restrictions, many other bottlenecks to agricultural exports that we would like to see our country move in on under the reciprocal trade agreements program using the machinery provided by GATT.

Just a word on the Common Market. One-third of our agricultural exports go to Common Market countries. We recognize this is a movement that simply had to come sooner or later, but we also recognize that an implement like GATT is very necessary to watch this Common Market as it comes into being, not after they have built up these policies or trade restrictions that will discriminate against the United States. We should be right there as the Common Market develops to make sure our interests are protected.

It is imperative that the President be given the necessary authority to be right there during the development process, ready to negotiate. That is why we think a 5-year extension is so very important to agriculture, and to the Nation as a whole, when things are changing at such a rapid rate. Not just the Common Market in Europe but the prospective ones in Scandinavia, South America, and other regions.

These regional agreements are growing—the President has to be given the authority to go in and watch them and do something about them while they're in the development stage.

Now right on this point we do not think agriculture has been given proportionate representation at GATT meetings.

After all, agriculture represents 20 percent of our imports, 25 percent of our exports, in round figures.

We feel like agricultural leaders with broad agricultural interests should be at the GATT sessions as advisers.

We want to emphasize that we do not consider the reciprocal trade agreements program a free trade program.

We have listed in our statement the many restrictions on the President's authority, in present law.

We do not care to debate whether we should or should not have a free trade program because certainly the reciprocal trade agreements program is not a free trade program.

We recognize that many protectionist interests have tried to latch on to the recent downturn of business activity as a reason for restricting trade.

We think it is a good reason, a very good reason, why we should expand trade because we need more markets, not less.

We need to expand, not to contract our economy.

Trade, the ability to sell, to earn, to buy, is the greatest inducement we can offer any nation. It is the best way we feel to keep free-world unity.

Senator LONG. Does that complete your statement?

Mr. HARRIS. That concludes my statement.

Senator LONG. If I understand your position in general, it is that this Nation has vast areas of fertile acreage where food can be produced economically. In general it is to our advantage to produce surplus food and trade it to people who can produce other commodities more cheaply than we can.

Mr. HARRIS. Fundamentally, sir, just with one correction, not surplus, produce food we can sell for markets that are there.

Senator LONG. I mean surplus to our own needs.

Mr. Harris. Yes, sir.

Senator LONG. That concept of trade is that the nation that can produce one item more cheaply than another country sells that which they can produce more cheaply and buys that which it has to produce at greater costs.

I do want to ask you about this matter: The Secretary of Agriculture informed us in 1952 that the number of agricultural workers depending upon foreign trade was 976,000

In 1956, according to Secretary Weeks, the number of agricultural workers depending on foreign trade had declined to 62,000.

The Trade Agreements Act was operating in full force between 1952 and 1956, but we lost 374,000 farmworkers over that period.

During that period, United States imports and exports were rapidly expanding. What caused the decline of more than one-third of the number of farmworkers in 4 years?

Do you know?

Mr. HARRIS. Well, Mr. Chairman, if you will, I think this so-called decline is a fictitious one because I think to arrive at the actual number of workers producing goods in agriculture that go overseas is the type of thing you can only estimate on the basis of production.

Now, as you know, we have a difficult time in agriculture to pick out the commercial farms. We have an awful lot of people farming and yet we have a relatively few farms in comparison that actually produce goods for the commercial market.

When you are dealing with statistics like this, I think it is very difficult to get it down—so you are comparing apples to apples.

Senator LONG. I understand the figures I mentioned refer to the same category of farmworkers. They both use the same term, "agricultural workers." At a time when even our trade in agricultural products was expanding, I wonder why the number of agricultural workers relying upon our exports declined by one-third.

If you do not know the answer, it might be just as well for you to say so.

Mr. HARRIS. As I stated, I am not familiar with the specific figures that you are using; no, sir.

I do know that our exports have increased from $2.8 billion to $4.7 billion since 1953.

Senator LONG. They have nevertheless increased.

Mr. HARRIS. Exports have increased; yes, sir.

Senator LONG. They have increased any way you look at it. I want to know why the number of farmworkers has been reduced by one-third while the export trade has been expanding.

Mr. HARRIS. I only suggest this one factor, that agricultural production as a whole has become more efficient, and, uses less total labor.

It will continue to do so. This change has been dramatic over the last 20 or 30 years with increased mechanization.

Certainly those things that we export we tend to produce even more efficiently.

Senator LONG. Thank you very much.

Senator Carlson?

Senator CARLSON. Mr. Harris, as a representative of one of the great farm organizations of this Nation, I am sure you feel and the organization feels that it is important to build our agricultural trade in foreign markets that has been the position for many years?

Mr. HARRIS. For a great many years.

Senator CARLSON. My contacts go back to the days of Ed O'Neil who used to be president of the organization so I am familiar with it.

Have noticed you mentioned something about the need for export.

Can you tell the committee how many million acres of farm crops were exported last year?

Mr. HARRIS. About 60 million acres, Senator.

Senator CARLSON. All right. Let's assume we exported the farm crop from 60 million acres. In view of what I would like to say, ever-increasing surpluses, if that figure is accurate, I cannot think of any segment of our economy in which export trade would be more important to than the farmers of this Nation; is that about right?

Mr. HARRIS. I agree with you; yes, sir.

Senator CARLSON. I noticed some figures on wheat and coming from Kansas, which is the producer of about one-fourth of the winter wheat of the United States, I noticed this, and I am going to read just a short section here.

In 1957 the United States exported 550 million bushels of wheat, and flour which was equivalent valued at $958 million.

This was equal to 55 percent of the total United States wheat production. It just occurs to me when a farmer looks out over his wheatfield, which we are harvesting right now, and realizes that we exported about 1 out of every 2 acres grown in this Nation they begin to realize the importance of a market—a foreign market.

Mr. HARRIS. If the views expressed to me at the annual convention of the Farm Bureau by our members are any indication of this they certainly do realize this, Senator.

Senator CARLSON. I think it is going to be even more important with the winter wheat crop this year which will probably be 300, maybe 400 million bushels more than the crop we had last year, and we had a carryover or will have as of July 1 of this year of a billion bushels, that present indications are that we will have a carryover next year of 1.3 billion, maybe a billion more which shows some of the problems of agriculture, and I sincerely hope we do not do anything that will discourage the export of farm products. I have always appreciated the position taken by the American Farm Bureau Federation.

I thank you for your appearance.

Senator LONG. Many thanks.

Mr. Wallace J. Campbell?

Will you proceed?

STATEMENT OF WALLACE J. CAMPBELL, REPRESENTING THE COOPERATIVE LEAGUE

Senator CARLSON (presiding). Do you have a statement, sir?

Mr. CAMPBELL. Thank you, Mr. Chairman.

I think I can summarize part of the statement in order to make it brief.

Senator CARLSON. Your statement will be made a part of the record and you proceed in any way as you please.

Mr. CAMPBELL. The Cooperative League, of which I serve as Washington representative, represents 13 million American families who are served by consumer, purchasing and service cooperatives, in fields of farm supplies, consumer goods, insurance, credit, rural electrification, health, housing, and other fields.

We have consistently supported the reciprocal trade program. We feel that its reenactment 10 times during the last 24 years has given an indication of its importance to national policy.

We would actually like to see the reciprocal trade agreement act be made permanent. The bill before you really just holds the line on reciprocal trade policy.

President Eisenhower presented in his budget message to the Congress his urgent request for the 5-year extension of the reciprocal trade program.

Adlai Stevenson in his strong endorsement indicates the strong bipartisan nature of the support for the program.

Robert Rennie, vice president of the Nationwide Insurance Co., who testified for the Cooperative League earlier this year, pointed out that in our early history we were really an isolationist nation. We produced everything we made and we used everything we made, and we were a poor country. There are still countries which live very much like this, and are still poor. These are the countries which are most susceptible to the Soviet trade and aid programs today. It is only as people and nations have learned to economize in the true sense by making what they can make best and exchanging it with each other that we have risen from poverty and stagnation to economic abundance and growth. With this background, we would like to make several specific points about the legislation now before you:

First The Cooperative League is wholeheartedly in support of the President's proposal to extend the reciprocal trade program for 5 years. We feel this is essential to carry us over the long period of negotiation with the developing trade programs in western Europe, and that a shorter extension would be a tragic mistake.

Second: While we support the bill, we would actually like a more liberal bill. We feel that it is a step backward to allow an increase of tariffs to 50 percent over the 1934 rate.

This was the highest point in recent American history and was a direct result of the Smoot-Hawley Tariff Act.

If there is injury to an industry, or to an area, or to a segment of the American people, there are better ways to take care of that injury.

Third: The Cooperative League would be very happy to support an amendment to the Reciprocal Agreements Act which would provide machinery for adjustments in the case of injury to an industry.

A series of bills have been introduced which would provide for such adjustment. Although one of the strongest supporters of an adjustment bill is the AFL-CIO, this is by no means a "labor" measure. It is important for small business, as well as some larger businesses that might be affected, and it is extremely important for protecting the consumer interest.

The chairman this morning indicated that there had not been very much support for such bills.

Actually there is a great deal of support by important national organizations for such an adjustment act.

The proposals which are before this committee in various forms would provide assistance to communities, industries, and individuals to facilitate adjustment made necessary by the trade policy of the United States.

This would include technical advice and Government loans to industry, plus possible rapid amortization of investment in new equipment. Supplementary unemployment compensation, retraining, transportation to new employment opportunities, and early retirement benefits would be provided for labor.

The intent of the adjustment amendments is to make a transition possible for a business which must move into another line in which it can compete economically and successfully on the open domestic market.

Protectionist spokesmen who try to make it appear that the only way to protect American industry is through tariffs and quotas make a serious mistake. The cost of any adjustment which is necessary in the national interest should be borne by the taxpayers of the United States as a whole.

Compensation should be made directly to the industry which is hurt, if that is necessary.

This is a cheaper way to meet our problems than to put on a tariff which is an indirect tax on the consumer for every item which is purchased in this field.

A tariff becomes a direct and regressive form of taxation, paid for by the American consumer to benefit a small segment of the American population.

For these reasons we are in strong support for trade adjustment legislation which will meet our problems directly and spread the cost of any such transition to the taxpayers as a whole.

The total cost to the United States will be much smaller than the cost of the tariff.

Fourth, the Cooperative League continues its long standing support for the creation of an Organization for Trade Cooperation, the OTC, which would serve as a housekeeping mechanism for the agreements which have been made and are subject to continuing negotiation under the General Agreements on Tariffs and Trade.

Multilateral negotiations through which these agreements are reached make it possible for the United States to secure concessions from other countries for any tariff reduction which we make.

The general level of tariffs may be reduced and a high level of trade may be attained through such procedures.

In other words, the negotiations under GATT allowed for shrewd Yankee bargaining to see that we achieve a measure of freer trade accomplished over a long period of time.

Fifth, the Cooperative League believes that the national interest calls for a continuing increase of imports and exports as an effective program to increase the strength of the free world.

Our imports have grown from $2 billion per year in 1935, when the reciprocal trade program was launched, to $13 billion last year.

Our exports which stood at $2.3 billion in 1935 have grown even faster than our imports. Last year they had climbed to $20 billion. The reduction in our tariffs by an average of 75 percent since 1934 has produced no overwhelming flood of imports. It has provided a substantial growth in both imports and exports.

Actually our exports have risen more rapidly than have our imports.

Countries around the world can buy American products only if they have an opportunity to sell to us. We should make an all-out effort to increase the flow of international trade among the countries of the free world.

As this committee is painfully aware the Soviet Union has launched an all-out drive of economic competition. This Soviet penetration can be met most effectively if we engage in a stepped-up program of freer trade among the free nations.

It is impossible to achieve free trade in the immediate future, but national and international policy would indicate that we should move gradually in that direction.

This is the most healthy way to meet Soviet competition. It is a constructive way to build our economies at home and abroad for the greatest possible good for the democratic forces of the world.

As the Cooperative League pointed out in its earlier testimony:

> No man is an island unto himself, and neither is any nation. We are part of the democratic free world, engaged in an intense struggle with the forces of communism. We need friends and allies as much as they need us; and we are not, if we can help it, going to let any part of the free world go by default

There is one suggestion I would like to make, Mr. Chairman, if I may, which has grown out of the discussions which have been held here this morning.

Back in 1951, just before the Korean war, the Government had launched a study on the "dollar gap." Because of the Korean war, much of the "dollar gap" disappeared, because we automatically were forcing so many things abroad through our defense program.

That dollar-gap program, the study of the dollar-gap problem, drew a great deal of support from the economic organizations of the country which wanted to do something about it.

We were all disappointed that the study was abandoned.

Actually one of the great problems in getting more trade around the world is to get at that problem of the dollar gap, and I wish some committee of the Congress, perhaps this committee, would initiate a study of that very serious problem so we could get down to another of the fundamentals.

In the meantime we need to expend the present reciprocal agreements in order to hold the line.

Senator CARLSON. Well, Mr. Campbell, we appreciate very much your statement.

I was interested in your comment regarding this dollar-gap study.

At the opening of this hearing last Friday, Senator Flanders of Vermont, stressed the fact that he was offering an amendment to this bill which would provide a 2-year study by people who were competent to get into this field of trade and international trade and domestic problems with regard to trade, and hoped that it would be a part of this bill, and that the study would be made. I assume if that is approved by the committee and approved by the Congress that this dollar-gap situation would be given consideration.

Mr. CAMPBELL. Very fine.

Senator CARLSON. And I gathered from the discussion around the dais here there was a lot of interest at least in Senator Flanders' proposals.

Mr. CAMPBELL. Very good.

Senator CARLSON. I do not happen to have a copy of your statement, but the Cooperative League, I think you mentioned the organizations that are involved at the beginning.

Would you repeat that for me?

Mr. CAMPBELL. Yes. It is an organization made up of consumer and purchasing and service-type cooperatives which include a great number of the farm supply co-ops, consumer goods co-ops, insurance organizations and credit, farm supply, housing, and medical care.

It is a general organization that carries forward education, promotion, and development work for 13 million families that are members of the Cooperative League through these various types of cooperatives.

Senator CARLSON. We have a very fine cooperative organization in the Middle West, in Kansas City headed by Mr. Cowden. Is that group a member?

Mr. CAMPBELL. It is not a member of the Cooperative League but Mr. Cowden was vice president of our organization for many years and we hope he will be associated with us again soon.

We are very happy, Senator, that you recommended a man from his organization, Mr. Dwight Townsend, as director of cooperative housing in the FHA.

You will be pleased to know that the cooperative housing program has moved forward very rapidly during the last couple of years, part of it at least as a result of your recommendation for that appointment.

Senator CARLSON. Well, I was very pleased to recommend this man for this appointment in this place and I understand he is doing a very fine piece of work.

Mr. CAMPBELL. That is right.

Senator CARLSON. One other thing that you suggested I thought was of great interest and I think it is going to be of more continuing interest and that is in regard to this adjustment act with making plans to take care of some of the injuries to industry. I think we have had problems in the past but I am not so sure we will not continue to have more of them in the future.

Mr. CAMPBELL. That is right.

Senator CARLSON. I have a feeling we will have to devote some time to that and that should be included in a study if we should have one.

Mr. CAMPBELL. I believe that should be done at the present time. Some minimum step should be taken at least at this session to get the principle of the adjustments made. No matter what happens in the flow of an economy this size somebody is bound to be hurt, and there ought to be adjustments.

Senator CARLSON. That is right.

Mr. CAMPBELL. This would be a kind of an insurance policy to take care of any injured industry or injured group of workers in the change of economic policy just as we have in any other form of loss to an individual or group or to the economy.

Senator CARLSON. Mr. Campbell, I appreciate your statement and I think you made a very fine statement and I thank you.

Mr. CAMPBELL. Thank you very much.

Senator CARLSON. Mr. James R. Sharp, Imported Hardwood Plywood Association and American Association of Hardwood Plywood Users.

Mr. Sharp?

Mr. SHARP. Yes, Mr. Chairman.

Senator CARLSON. Mr. Sharp, we are very happy to have you here, and we will be glad to have your testimony. You may read your statement or you may have your statement placed in the record and talk extemporaneously, any way you wish to handle it.

STATEMENT OF JAMES R. SHARP, SHARP & BOGAN, ATTORNEYS AT LAW, WASHINGTON, D. C., REPRESENTING VARIOUS IMPORTER GROUPS

Mr. SHARP. Thank you, Mr. Chairman.

Since I have a fairly well worked out statement and will attempt to be quite brief, I will at least cover in general the statement which I I have prepared.

My name is James R. Sharp. I am an attorney with offices at 1108 16th Street NW, Washington, D. C. My firm, Sharp & Bogan, represents numerous associations and companies who have a vital stake in the trade between the United States and other countries.

Many of our clients are both exporters and importers. These firms have thus been in a position of witnessing at first hand the immediate effect which the volume of United States imports has had upon our volume of exports. Day to day, month to month, and year to year, they wrestle with the problem of the shortage of dollars needed by foreign purchasers to pay for United States exports produced in United States manufacturing plants by the United States labor force.

Others of our clients are associations of importers and users of imported products who have banded together to support a United States trade policy which will provide long-range certainty and stability in our trade relations with other free world nations as well as to expose the frequently false or grossly exaggerated claims of United States industries as to the effect of imports upon their businesses.

I am not here to speak in relation to specific commodities, but instead to urge you to support H. R. 12591, as passed by the House. However, to give you an idea of the diversity of interests for whom I speak today, I may say that they include, among others, the following:

The Imported Hardwood Plywood Association.

The Plywood Group of National Council of American Importers.

The American Association of Hardwood Plywood Users.

I should like to delete the next, which is The American Importers of Brass & Copper Mill Products, since I do not represent them now.

The American Importers of Malleable Pipe Fittings.

The American Association of European Carpet Importers.

The American Association of Wood Pulp Importers.

The Importers of Swedish Hardboard, and

The Scandinavian Mink Importers.

Gentlemen, H. R. 12591 is an outgrowth of one of the most thorough and extensive studies the Committee on Ways and Means of the House, the Democratic and Republican leaders of the House, and the administration have ever conducted on the subject of our foreign trade policy. While no one can claim the bill is perfect, it is nevertheless a good bill which commands your wholehearted support, and I urge that you give it that support.

The most important consideration is the fact that the bill arms this Nation with an effective weapon with which to fight the international economic and trade war which Nikita Khrushchev publicly declared upon us a short time ago.

In this respect the bill provides a means for long-range cooperation with our friends in the free world, permits us to combat the Soviet offensive and to assure mutual prosperity. It provides a means with which to halt the insidious Soviet penetration and possible eventual absorption of our historic export markets.

It provides both the means and the needed time with which to deal effectively and intelligently with the regional common markets and customs unions which have been formed or which are in the process of negotiation.

But while doing so, the bill carries safeguards beyond those in the existing statute for the protection of those industries who may suffer or be threatened with serious injury by reason of imports.

In the House committee and on the floor, a substitute bill was offered for H. R. 12591. This was the so-called Simpson bill, which was backed by a large and diverse number of special interests. In my opinion it violated the Constitution. As I was the only witness before the Committee on Ways and Means who raised this issue in my testimony, it was indeed gratifying to me to find that the constitutional defect in the Simpson proposal was so clearly and forcefully brought to light during the course which H. R. took through the Ways and Means Committee and the House of Representatives.

The fundamental issue—that is, the lack of congressional authority to legislate in a vacuum without the participation of the President—was clearly and succinctly discussed by both the majority and the minority of the Committee on Ways and Means in the report accompanying H. R. 12591. This is one issue, I might say, on which the divided Ways and Means Committee agreed.

As many of the special interests who back this proposal in the House are among those who will testify before this committee, a proposal along the lines of Mr. Simpson's bill will undoubtedly be made to your committee and on the floor of the Senate. While the constitutional objection should suffice to counter any such proposal, there are many other aspects of the Simpson approach which reflect its completely unsound and unwise character.

In view of the fact that it will undoubtedly be urged upon you in this hearing, I want to call your attention to some of its insidious aspects.

The Presidential discretion in escape actions to allow for consideration of broad foreign policy issues is imperative if you are not to make a farce and shambles of our foreign policy. Similarly, Presidential discretion in escape actions to allow for consideration of broad domestic issues is imperative—for our economic well-being and the preservation of our democratic way of life depends upon the extent to which the interests of the Nation as a whole are weighed against the interests of small segments of our producing facilities.

The Simpson proposal would permit the President's discretion to be exercised only if a resolution approving his considerations could run the gauntlet of the appropriate committees of the House and Senate and thereafter be adopted by both Houses of Congress.

It seems to be clear that if the Congress can by such means control the Executive action of the President in carrying out the Reciprocal Trade Agreements Act, it can and will be encouraged to assert an ever-increasing number of similar controls in carrying out or executing other laws.

Mr. Chairman, to my mind the separation-of-powers principle upon which our Constitution was founded was the most masterful and sound principle incorporated in that great document. If we fail to preserve this principle inviolate, we forfeit the armor which throughout the history of our Nation has protected the rights of our people. The Simpson proposal is an insidious proposal for it would clearly violate the principle of the separation of powers.

Another feature of which you should be aware is the fact that this proposal would remove the Tariff Commission from its historic role of a body which is limited to factfinding and to recommendations based upon such findings.

As you know, the Tariff Commission's findings take no consideration of overall domestic or foreign policies. The Commission simply is not sufficiently informed on such matters to be capable of doing so. This is not and never has been the Commission's role.

But the Simpson proposal would, overnight, convert the Tariff Commission into a final adjudicatory body in escape matters whenever a resolution approving the President's considerations does not get through the appropriate committees and through both Houses of Congress, whatever may be the reason for its failure. Yet the Commission in its new role would not have either the authority or the necessary background to consider factors relating to our overall foreign policies or our overall domestic policies. The Commission itself, I believe, abhors the idea of being placed in such a role.

In fact, Mr. Chairman, the Commission testified at length before the House Ways and Means Committee and, with the exception of the chairman, who said of course he would take upon the Commission any function which the Congress gave it, all of the other Commissioners specifically stated that they believed they had neither the ability nor the information necessary to permit them to take into consideration matters of broad foreign and domestic policy, matters which are not now within their province.

The proponents of this Simpson proposal will urge on you, as they did upon the Committee on Ways and Means of the House, and on the House, other changes in H. R. 12591. The effect of these would be to extend the trade agreements program in name only. They would grant only a theoretical negotiating power to the President. The ironclad handcuffs which they would place on the President would make it unlikely that any new agreement would be entered into under the statute.

The modifications in the escape clause provisions of existing law, proposed by the Simpson "substitute," would serve to not only make new agreements unlikely, but would undermine the foundations of all of the existing trade agreements with the resulting collapse of the foreign relations of the United States with most of our best friends in the free world.

I need not extensively elaborate on this truism. The Congress and both great political parties have recognized for many years that the political relations of a nation are in large part dependent upon and are inextricably interwoven with its trade relations. Only recently Soviet recognition of this fact brought about an important change in the external policies of the Soviet Union. Khrushchev made it very clear that the Soviet Union is not only going to compete with us on the economic and trade fronts, but is going to do its level best to beat us at a game which we should now know a lot more about.

In the face of this threat we cannot arm ourselves with a Simpson-type one-shot popgun. We have no other course but to arm ourselves to the teeth for the economic and trade war which has been declared, the same as we have done for the military war which we fear may someday be declared.

As far as many of my clients are concerned, the outstanding characteristic in H. R. 12591 is the fact that it contains no provisions imposing import quotas on specific commodities despite diligent efforts by special interests to attach such restrictions to the bill. We are unalterably opposed to such barriers to international trade as a matter of principle.

Furthermore, this committee knows that once the door is opened but a bit to this type of legislative restriction, the flood can never be stopped. Since this committee specifically requested that comments be made on H. R. 12591 and not on individual commodities, I will not discuss quotas further, except to voice our strong opposition to all such amendments should they come up in your committee's consideration of H. R. 12591.

In my opinion, the most valuable feature of H. R. 12591 is the provision extending the act for 5 years. You have already been told by the Secretary of State of the problems confronting the United States through the formation of the European Common Market, wherein our trade negotiators will be required to negotiate not with a half dozen or so individual countries, but with representatives of one entity made up of practically all of Western Europe.

The resulting negotiations will be extensive and require a long period of time to complete. Thus, the formation of the European Common Market is reason enough for the 5-year extension of the act. However, there are other compelling reasons which I would like to mention briefly.

The first is the probable creation, within the foreseeable future, of an entity very similar to the European Common Market. I refer to the Nordic Economic Cooperation Movement, commonly referred to as the Nordic Union.

For the past several years, representatives of Denmark, Finland, Norway, and Sweden have been working closely together to form an economic union of their countries. Most of the details have been worked out and it is quite possible that the projected economic union will become a reality in the not too distant future.

I have read the report issued by the Nordic Economic Cooperation Committee in July 1957, and should the union become a fact, it is interesting to note the procedures which will be undertaken by these four countries in future trade negotiations.

In the introduction of the report it is stated that the report was discussed at the Nordic Council's meeting in August of 1954. The Nordic Council made several proposals, and in paragraph 2 recommends—

> that, on the basis of the data submitted by the Joint Nordic Committee for Economic Cooperation, the governments clarify the possibilities of applying uniform tariff rates (or restrictions) vis-a-vis non-Nordic countries and initiate endeavors to abolish intra-Nordic customs duties and trade restrictions to the extent and at the rate considered to be compatible with the special conditions of each country;

On page 110 of the report, under the heading "Cooperation in Commercial Policy in a Nordic Market," appears the following:

> The principal rule [in tariff negotiations] should be, however, that tariff negotiations with other countries are to be conducted jointly.

On page 112 of the report it is stated:

> even if such far-reaching cooperation will not be possible for the present, the establishment of a Nordic market would immediately imply a more extensive cooperation in Nordic trade with outside countries in general and in trade agreements in particular.

Thus, the United States is undoubtedly going to be confronted shortly with more than one area entity with which it must deal in future negotiations on trade agreements. As it is entirely possible that the Nordic Union will come into being sometime within the next year or two, we should be in a position to deal with the extensive new problems which the formation of this union will create. The 5-year extension of the act should therefore be preserved intact.

Another compelling reason for the retention of the 5-year extension of the act is that such an extension will provide a degree of long-needed stability to the operations of United States importers, to the vast number of consumers who depend upon imports, and to United States manufacturers and producers who process imported materials or utilize imported materials in their own manufacture.

It has been difficult heretofore for such manufacturers and producers to make long-range plans to initiate sound manufacturing or sales programs or to stabilize their labor force. The uncertainty of our Government's position toward international trade has made such matters risky business for any concern which depends upon imports.

With our position firmly established on a 5-year basis, the American manufacturer employing imported products will be more reasonably assured of a steady supply of materials and can devote himself to problems other than the constantly harassing one of our Government's position in foreign trade.

Mr. Chairman, in considering important legislation such as you have before you, there is no place, in my opinion, for special or selfish interest. This is a time for statesmanship at its finest. As statesmen, it is your job to see to it that the interests of the Nation as a whole prevail.

For these reasons, I urge you to reject the efforts which will be made to emasculate the bill with crippling or clearly unconstitutional amendments following the pattern of the Simpson proposals. I urge you to report out H. R. 12591 with the 5-year extension provided therein and without any amendments imposing import quotas on individual commodities.

I thank you, Mr. Chairman, for the opportunity to appear before you.

Senator CARLSON. Mr. Sharp, we appreciate very much your statement.

I was interested in your comments that many of your clients are both exporters and importers. I can well remember in previous hearings at least, quite a division between these groups. And I have heard of people being ambidextrous, and I am not so sure but what you are doing very well.

Mr. SHARP. There are quite a number of firms who are now in what we call international trade as such rather than only on one side of it. And it is of interest that in the experience I have had in working with them in the last few years we have had specific instances whereas action taken in the United States (for instance by reason of the Dumping Act) which has the tendency to restrict the flow of imports has had an immediate effect upon the amount of exports which the same firm which was affected by the stoppage of the flow of imports could sell to the country from which the imports come. And they were usually engaged—many of these concerns are usually engaged in a two-way flow between specific countries.

Senator CARLSON. Again we thank you, Mr. Sharp.

Mr. SHARP. Thank you, Mr. Chairman.

Senator CARLSON. The next witness is Mr. William Barnhard, of the American Importers of Brass and Copper Mill Products, Inc.

STATEMENT OF WILLIAM J. BARNHARD, OF CHAPMAN, WOLFSOHN & FRIEDMAN, COUNSEL, AMERICAN IMPORTERS OF BRASS & COPPER MILL PRODUCTS, INC.

Mr. BARNHARD. Mr. Chairman and members of the committee, I am Mr. William J. Barnhard, Washington attorney with the firm of Chapman, Wolfsohn & Friedman.

Senator CARLSON. If you want to file the statement and make an extemporaneous statement you may do so.

Mr. BARNHARD. Since it is such a short statement I should like to read it and I have asked permission for my clients to file a supplemental written memorandum before the close of the hearings.

Senator CARLSON. They will be placed in the record.

Mr. BARNHARD. Thank you.

My professional activities are confined exclusively to problems of international trade, including my present activities as counsel for, among others, the American Importers of Brass & Copper Mills Products, Inc., and as secretary to the National Antidumping Committee, Inc., and I therefore welcome this opportunity to appear briefly in support of H. R. 12591.

Because of the necessary shortness of time allotted to witnesses at this hearing and because of the primary concern of this committee with the general problems of reciprocal trade extension, I shall confine my remarks to the general field of trade legislation, and request the privilege of filing for the record a written memorandum dealing with the specific problem of copper and brass product imports as they relate to the pending legislation.

The 1958 extension of the Reciprocal Trade Act could have been—and should have been—a major stroke in the direction of national prosperity and international security.

It could have provided increased production and increased employment in America's manufacturing industries.

It could have provided higher wages and lower costs in America's processing industries.

It could have provided new markets and increased sales for America's coal, textiles, farm products and many other articles.

It could have provided hope to the underdeveloped nations of the world, strength to our free world allies, and a substantial part of our answer to the increasingly menacing Soviet economic offensive.

But the bill before this committee does none of these things. It will not encourage more American overseas business, either in buying or in selling. It does not give our negotiators enough bargaining strength to protect the interests of American workers, farmers, and industrialists in the common market and other developing regional markets. And it does not give us the power to combat the Communist trade drives.

Then why should we, who desire an expanding level of world trade, support this measure? For three reasons only: First, because it is the lesser of two evils, being much less destructive to American business and American policy than the substitute measures; second, because this bill, however weak and circumscribed, has become a symbol of American economic policy whose defeat would produce drastic and dangerous international repercussions; and third, because it provides at least a modicum of bargaining power to protect American interests.

For these reasons, we appear here in support of H. R. 12591. But, unlike many of my colleagues, I do not believe that the best we can hope for from this committee is approval of the House-passed measure. I hope and expect that this committee and the Senate itself may provide the Nation with a stronger trade bill that will promote more American business, provide more and better job opportunities, create new and bigger markets for the products of our farms, mines, and factories.

My remarks will be devoted primarily to the economic needs of our own people, rather than the needs of our friends abroad or the issue of international solidarity. The economic health of our allies and our alliances is an intensely practical and selfish consideration which cannot be ignored, but others better qualified than I have discussed or will discuss these aspects of the trade program. I suggest that perhaps there has been too much emphasis put on the foreign aspects of our trade program, the help it provides abroad, the alliances that it helps cement, and the world leadership it provides us.

These are vital, of course, but at least equally vital is the immediate selfish economic aspects of trade right here at home. Trade is not charity, it is not foreign aid, it is not in any sense a giveaway. Trade is business, it is buying and selling, which means it is jobs and profits and markets and sales. It seems to me that the Nation will obviously benefit from a trade bill that encourages such business more than does the measure now pending before this committee.

Expansion of American business is impeded by section 3 (a) (1) of this bill, which permits tariff rates to be increased by as much as 700 percent, to levels half again as high as the Smoot-Hawley rates of 1930. No American industrial consumer or distributor could feel safe in establishing a source of supply subject to such punitive taxes.

Expansion of American business is impeded by section 4 (b) of the bill, which authorizes long and expensive escape-clause investigations even where the competing domestic industry does not request them. If the domestic industry, which is directly affected and is in possession of the facts, does not complain, there seems to be no warrant for this additional roadblock.

Expansion of American business is impeded by section 5 (a) of the bill, which permits escape-clause investigations to be instituted by "any organization or group of employees," even where the competing industry does not complain of import competition. Here again, if the domestic industry does not complain, there seems little warrant for launching such an investigation.

Expansion of American business is impeded by section 5 (c) of the bill, which authorizes the imposition of prohibitive duties up to 50 percent on articles Congress has said shall be duty free. The obvious purpose of such an authorization is not to encourage more business, but to create new roadblocks in established channels of commerce.

Nor is expansion of American business helped by section 6 of the bill, which gives the Congress a veto over the Executive determination on tariff rates. This provides a new element of uncertainty to the flow of commerce to and from American factories.

While the pending bill, minus these listed sections, will not encourage any major expansion of United States overseas business, it would at least not discourage whatever business expansion may be possible.

On the other hand, a more restrictive bill would not help the American economy, but would seriously injure it.

Import restrictions on copper and copper products, for example, would not help our mining industry. The current temporary problems in copper are worldwide and their solution does not lie in national import restrictions. The plight of the American miner is further compounded by the sharp decline in United States industrial production, particularly in American exporting industries, and a further decline by the loss of export markets would hurt, not help, both the manufacturers and the miners who supply them.

Another effect of import restrictions is typified in a recent report from Buenos Aires, dealing with increasing Argentine purchases of coal. Argentine industrialists had been buying some Polish coal at \$28 a ton and some German coal at \$22.50. Currently they are buying Australian coal at $21.80 a ton. United States coal delivered Buenos Aires is about $16.50 a ton, and Argentina would like nothing better than to fill its requirements of over 1 million tons with United States coal, and here I quote the language of the report, but "shortages of United States currency makes it imperative to buy elsewhere."

There are many other specific examples of increased United States business and jobs that could be encouraged by a more liberal extension of the trade program, but in the interest of time I shall save these for the written memorandum.

For now, I should like only to urge that H. R. 12591 not be made any more restrictive and that if it is amended at all it should be in the direction of more trade, more business, for the American economy.

Thank you, Mr. Chairman.

Senator CARLSON. Mr. Barnhard, at the beginning of your statement you asked permission to file a supplemental statement. I assume that will not be so lengthy that it will be a volume in itself, and that it would be confined to the subject under discussion?

Mr. BARNHARD. Yes, sir; it would be. And I am sure it will not be more than 6 or 8 pages. I just want an opportunity to relate some of the specific problems of copper and brass imports to pending legislation.

Senator CARLSON. The statement will be published in full in the record if received in adequate time.

Mr. BARNHARD. Thank you, sir.

(Mr. Barnhard had not submitted a statement at the time the hearings were printed.)

Senator CARLSON. Senator Malone?

Senator MALONE. Mr. Barnhard, I notice you are from the law firm of Chapman, Wolfsohn & Friedman, counsel for the American Importers of Brass & Copper Mill Products. Where do you live?

Mr. BARNHARD. Here in Washington.

Senator MALONE. Where is the business located of these people?

Mr. BARNHARD. The members of the association, sir, or the members of the law firm?

Senator MALONE. Members of the association that hire you, where are they located?

Mr. BARNHARD. The members of the association consist of 17 major importers of copper and brass mill products, located on both the east and the west coasts, sir; centered primarily in New York and Los Angeles.

Senator MALONE. Would you mind submitting the names of these importers for the record?

Mr. BARNHARD. I will be happy to submit that.

Senator MALONE. Do you have them with you?

Mr. BARNHARD. No, I don't have them with me.

(The information to be submitted is as follows:)

MEMBERS OF AMERICAN IMPORTERS OF BRASS & COPPER MILL PRODUCTS, INC.

The Alcobra Co., Los Angeles, Calif.
Atlantic Aluminum & Metal Distributors, Inc., Springfield, Mass.
Camarge Trading Co., Inc., Philadelphia, Pa.
Franconia Industries, Inc., New York, N. Y.
Fromson Orban Co., Inc., New York, N. Y.
A. W. Horton & Co., Los Angeles, Calif.
Lipman's, Brooklyn, N. Y.

Norca Corp., New York, N. Y.
The Ore & Chemical Corp., New York, N. Y.
Ovingsteel, Inc., New York, N. Y.
Reynolds Fasteners, Inc., New York, N. Y.
S. Bernard Schwartz, New York, N. Y.
State metals division, Wiwoco Corp., New York, N. Y.
Ufinindo International Corp., New York, N. Y.
Vanderryn International, Inc., New York, N. Y.
David L. Wilkoff Co., Inc., New York, N. Y.

Senator MALONE. These people that you represent are importers of brass and copper?

Mr. BARNHARD. Brass and copper products, sir. They are not importers of raw copper. They are importers of products, manufactured or semimanufactured products, which contain copper or brass.

Senator MALONE. From foreign nations?

Mr. BARNHARD. Yes, sir.

Senator MALONE. What do you find in general is the difference in the cost of these products, and name a few of the products, if you would like to, made abroad, and by the same type of manufacturer here. First, I presume that you import fabricated products that are also manufactured here?

Mr. BARNHARD. In most cases, yes; not in all cases.

Senator MALONE. Well, in most cases. Name a few of the products just to give us some kind of an idea of the range.

Mr. BARNHARD. Copper piping, brass tubing, brass and bronze sheets. These are typical products more of semimanufacture than of finished manufacture.

Senator MALONE. Do you manufacture small articles in brass and copper for sale here, I mean abroad, and import them for sale?

Mr. BARNHARD. Only a very small part of this is in finished articles which are offered for sale here. The great bulk of the imports represented here are semimanufactures which require further processing by American factories, or by American workmen.

Senator MALONE. What are some of the things, though, that you do manufacture in quantity and import?

Mr. BARNHARD. The leading ones, I suppose would be the copper water piping and brass tubing as well as brass sheets.

Senator MALONE. Where are these products made, principally?

Mr. BARNHARD. The great bulk of them in Germany, Sweden, some from the United Kingdom, Switzerland, some from Belgium, and a smaller percentage of total imports, although a very insignificant percentage of the imports of the members of this association, from Japan. I think total importations in this category from Japan are considerably less than 10 percent.

Senator MALONE. Are they increasing?

Mr. BARNHARD. They have been fairly stable, as I understand it, for the last year or so.

Senator MALONE. What are the differences in the wages in these countries that you have mentioned and in the United States—do you know?

Mr. BARNHARD. Excuse me before I answer that. May I add one more country which is a source of these imports? And that is Canada.

Senator MALONE. That is Germany, Sweden, Japan, and Canada, and one other country.

Mr. BARNHARD. Belgium.

Senator MALONE. Do you have any idea what wages are in these countries?

Mr. BARNHARD. Yes, sir. I have with me the testimony that was submitted by Mr. Walter S. Guggenheim who is a director of the American Importers of Brass & Copper Mill Products, the testimony he submitted to the Ways and Means Committee which contained some details on that subject.

The wages in Western Europe in the industry which produces these copper and brass mill products range from about 60 cents to $1.10 an hour.

Senator MALONE. That is in Western Europe?

Mr. BARNHARD. Yes.

Senator MALONE. From a dollar and what?

Mr. BARNHARD. From 60 cents to $1.10 an hour.

Senator MALONE. Do you have any idea what countries are paying 60 cents and which ones are $1.10?

Mr. BARNHARD. The highest wage rate in this industry seems to be in Sweden.

Senator MALONE. What is that?

Mr. BARNHARD. That is in the area of $1.10. Belgium——

Senator MALONE. In this particular industry?

Mr. BARNHARD. In this particular industry, yes, sir.

Senator MALONE. Sweden is nearer in wages to around 75 to 90 cents an hour, but you might find that certain workers would get $1.10 an hour there.

Mr. BARNHARD. These were represented by Mr. Guggenheim and I think based on accurate information as the average for this particular industry.

Senator MALONE. Mr. Guggenheim was for imports?

Mr. BARNHARD. He is an importer, sir. He is vice president of two very substantial importing companies.

Senator MALONE. Importing companies?

Mr. BARNHARD. His companies are Van Derryn International Corp., and the Guggenheim International Corp. He is vice president of both of those companies.

Senator MALONE. What do you find the wages to be in Canada?

Mr. BARNHARD. In Canada the wages appear to be about 10 to 15 percent below the United States wage level in this industry.

Senator MALONE. Canada runs around $1.50 to $1.65 an hour. You could possibly find some of the workingmen that would be paid more than that, but very seldom.

The wages in this country on this particular work, run somewhere around $2 to $2.25 an hour.

Mr. BARNHARD. The difference does not seem to be too far off, 10 percent, which would be the difference between $2 and $1.70.

Senator MALONE. Two dollars and eight cents is about as low as they get here, I guess. Still, whatever the difference is it does not matter much, if there is no equalization process. They have to meet the wages and the cost of doing business here and they would have to meet that foreign cost, or substantially decrease their output, would they not?

Mr. BARNHARD. They would, sir; except that there is no absence of equalization factor. There is a very substantial equalization factor which more than offsets the difference in wage.

Senator MALONE. What is it?

Mr. BARNHARD. A fairly careful estimate was made of the wage factor involved in the United States copper and brass mill product industry, and on the basis of information supplied by the Copper and Brass Research Association, the secretary of which organization will testify here next week, the average wage factor in United States copper and brass mill products is just under 7 cents a pound.

On the other hand, the extra costs which are unique to imports and do not have to be borne by United States producers in this industry, including freight from the foreign mills to the port, export packing, ocean freight, insurance, and duty, total about 6 cents a pound on these commodities, which means that if the European manufacturers of these products paid absolutely no wages at all they would enjoy a price advantage of no more than 1 cent a pound because of wage differential. These figures were made by members of the association based on information supplied by the domestic copper and brass research association.

Senator MALONE. They are made by importers?

Mr. BARNHARD. Oh, yes, sir.

Senator MALONE. Now then, let us assume that you are correct in all of your statements, you do realize that there is a difference. I will not argue with you to take the time of the committee on that part of it. The record will stand on that, the record that will be made by the committee.

You do realize that whenever there is a difference not equalized by a tariff or something, that the American producers, just as you said, have difficulty in meeting the competition?

Mr. BARNHARD. This is true of any competition. This is true of competition between a northern mill and a southern mill, too. Sir, I will accept that statement, yes.

Senator MALONE. I am glad you brought that up. In the United States of America we are very careful that as the Constitution provides we compete with each other. The Constitution does not provide that you can do it with $2 or $5 labor or anything else in any other country. Only you advocate that—you and your people—you understand that?

Mr. BARNHARD. No; I do not understand what there is in the Constitution which requires competition only within a limited geographical boundary.

Senator MALONE. The Constitution prohibits any tariff or any charge for materials going across State lines. You are a lawyer. You should know that—you do know that?

Mr. BARNHARD. Yes, sir.

Senator MALONE. That is what I say. Of course, in the Constitution of the United States, if you look at it, you will see that with amazement.

Mr. BARNHARD. I have looked at it from time to time.

Senator MALONE. I hope you have, while you are a member of that business.

That is, that in article I, section 8, and article II, section 2, the Constitution of the United States in the division of powers between the three branches of Government, pointedly separated the regulation of national economy, fixing and adjusting the tariff, duties, and imposts and excises in article I, section 8. And the regulation of foreign trade was put in the legislative branch; that is, the Constitution did that.

And in article II, section 2, it put the power to fix foreign policy in the executive branch.

Are you familiar with those two provisions?

Mr. BARNHARD. Yes, sir.

Senator MALONE. Then it did pointedly separate the two, did it not?

Mr. BARNHARD. Yes, sir.

Senator MALONE. Now, then, the 1934 Trade Agreements Act, as extended to June 30 of this year, tied the two together under the Executive, didn't it?

Mr. BARNHARD. It didn't quite tie the two together. This was an act of Congress which delegated certain of its legislative functions within a statutory framework to the Executive.

Senator MALONE. Your opinion is that, and it has to be in more legal language. I do not charge anything for mine, you charge for your opinion.

The facts are that it transferred the responsibility of Congress to the Executive, did it not?

Mr. BARNHARD. No, sir; the constitutional power remained in Congress and always has and could not be changed by act of Congress or by Executive order.

Senator MALONE. I hope it could not, but it has. In other words, the President now exercises the authority to adjust tariffs, excises, imposts within the limits of that act; and Congress has no recourse unless it would pass an act which he could then veto.

Mr. BARNHARD. Congress would have no greater power, either with or without that trade-agreements law, sir. Congress always has the power to act by law to make whatever change it desires to make.

Senator MALONE. You could charge more for that opinion than the way I expressed mine. But will you answer my question: Can or cannot the President of the United States within the limits set down in this act adjust the tariff or imposts without consulting Congress?

Mr. BARNHARD. Yes, sir.

Senator MALONE. Well, that is very fine, my friend. And I am glad you said, "Yes, sir," because that is what it is. That is the answer. And the answer was not what you first gave in an opinion of about 500 words.

In brass products, what percentage of the raw material is copper, in a general statement?

Mr. BARNHARD. It varies so much, sir, that I would hesitate to say except, if you mean percentage of value; is that what you have in mind?

Senator MALONE. I mean percentage of the material.

Mr. BARNHARD. The great bulk of it, at least, in most of the items which my clients import, I would say the great bulk of the content is copper.

Senator MALONE. Somewhere from 65 to 85 percent?

Mr. BARNHARD. Yes, sir; I would think at least that.

Senator MALONE. I think that is a fair statement.

Mr. BARNHARD. I think it is, sir.

Senator MALONE. Do you know that production of copper in this country cannot compete with the production of copper in certain of these countries, notably Chile, in South America?

Mr. BARNHARD. No; I don't know that, sir. It has been competing for a long time and very successfully.

Senator MALONE. It has what?

Mr. BARNHARD. It has been competing for a long time and very successfully.

Senator MALONE. Has it? It has been competing because there has been no tariff on it at all. That, also, runs out the 30th. Then there would only be a 2-cent—about 1.7-cent tariff because of the manipulation under the Trade Agreements Act which, of course, does not do very much good anyway, but the whole theory is repudiated.

Your answer was very pertinent that you didn't know and that is good enough.

For your information I will tell you that it cannot at $20 a day labor here plus the benefits of social security and industrial insurance. They have no chance to compete. Certain companies, of course, own foreign production and domestic production but by the manipulation small producers are out of business and no new ones not connected with foreign production can be established because about the time you got your money spent the lower price is there and you are out of business, as several have gone out of business. One of the largest ones went out of business in the last 6 months. And then the price may go up again.

It is so bad, of course, for any individual or country to be short of United States currency. I find it very embarrassing myself at times. The only way you and I can have a dollar shortage is to spend more than we make. You understand that?

Mr. BARNHARD. Yes, sir.

Senator MALONE. There are two ways that a nation can have a shortage. One is spending more than they make, which is customary, each month. And the other one is fixing a price on its currency higher than the market price and nobody will buy it. That is called a dollar shortage. Did you know that?

Mr. BARNHARD. I would not call that a basic reason for any dollar shortage that may exist.

Senator MALONE. If you will study it a little bit I think you will change your mind. Argentina sets the price on its currency. Practically all nations of the world do—2 or 3 do not. Canada does not. They have more horse sense than we have and their dollar is worth more. That is but information for you.

I was there making a speech one time while we were considering the Marshall plan down here. England wanted to buy grain from Canada. They would not sell it to them until we passed the Marshall plan and gave England the cash to pay for it.

I told them up there I thought their dollar would be worth more than ours pretty soon, and it is.

They also fix the price at seven dollars and a half an ounce on gold. They pay the prospector for mining it and charge us $35 an ounce for it and that is a very profitable setup.

There are a lot of people's minds working on this.

I didn't find any foreigners that didn't know what was going on. I only find those people in this country.

I am going to ask you a couple of questions. You look like a very sharp attorney. And you are charging for your information. That is more than any of us are doing now. This that I make available to you does not cost you anything.

Did you know that the President of the United States under this act, as extended, can trade any part or all of an industry to a foreign nation if he thinks that it will further the overall foreign policy that he establishes, and rightly so according to the Constitution of the United States?

Mr. BARNHARD. I am not quite sure this power exists. If it did exist I am quite sure that the President would never act in that way.

Senator MALONE. I am sure that you think that because they would not pay you this fee if you were going to give us any other kind of testimony.

If Mr. Dulles said that, would you believe it? If he said that, in so many words, would you believe it?

Mr. BARNHARD. No, sir.

Senator MALONE. I am surprised. He did say that. And, for your information, he can do that and does do it. Many industries are clear gone. Our acting chairman, I think, said he had a lot of letters from textile businesses in his State 2 or 3 years ago, and he has none this year because they are all out of business.

Crockery is out of business. We could go on and on.

You don't know about that. There is a sound barrier here through which no public sentiment can ever penetrate. No question about that.

Perhaps you know about it.

Would you believe, then, that the foreign nations that are party to these trade agreements acts do not have to keep their part of the agreement as long as they can show they are short of dollar-balance payments?

Mr. BARNHARD. If you mean that foreign nations which have agreed to lower their tariffs——

Senator MALONE. Yes.

Mr. BARNHARD. Cannot buy as much as they would like to buy because they do not have dollars to buy——

Senator MALONE. No, no.

Mr. BARNHARD. I appreciate that.

Senator MALONE. Do not tell me you misunderstood me. You are smarter than that.

Mr. BARNHARD. I think I understood you completely.

Senator MALONE. No, you don't. I am going to ask you the question again and I want you to answer it.

Do you know that foreign nations do not have to keep their part of the trade agreements if they can show they are short of dollar-balance payments?

Mr. BARNHARD. There are conditions under which all signatories to these agreements can obtain waivers.

Senator MALONE. Is that one of them?

Mr. BARNHARD. Yes, sir; that is one of them.

Senator MALONE. That is good, that would have been very simple to say "Yes, sir" to.

Mr. BARNHARD. I think I may suggest, sir, that answer might have been simpler but perhaps not as complete.

Senator MALONE. It is plenty complete because they have that authority to do that and they do not keep the agreements. What they do have and if you would study it, if you want to come up here any more, you look like a very smart attorney to me——

Mr. BARNHARD. Thank you.

Senator MALONE. Add to your own knowledge, you should now, what they use, is import permits, exchange permits, and manipulation of varying their money in terms of dollars and defeat anything we do in the way of getting anything into their country, no matter whether they reduce the tariffs or not. So they do not keep the trade agreements that they sign and rightly so, because it is in the GATT regulations that the do not need to.

Mr. BARNHARD. May I suggest that 90 percent of the $20 billion worth of exports that we exported last year were commodities covered by trade agreements?

Senator MALONE. I expect that is right. And I may suggest to you that you are really capable. I, personally, put in the record Saturday in my examination of Mr. Dulles—he said he will write us about it—I put in a table, and that table shows that if you deduct the money you have given over the years, we have given them about $70 billion now, the dear old taxpayers. And you deduct the subsidies that you give them, and all of the payments and all of the emoluments of loaning money through the banks and everything, the Export and Import Bank, you are exporting a less percentage today of your exportable goods than you were in 1934 when you passed the act.

Mr. BARNHARD. Well, it seems to me the answer to this would be to force them to earn more of their dollars and avoid as much as possible these other forms of accumulating dollars.

Senator MALONE. I can see that is what you would like.

Do you believe that the President should have this authority that I asked you if you knew he had and you said you didn't, but he does have it; and, assuming that I am right that he does have it, do you believe that those industries should be traded for an overall policy?

Mr. BARNHARD. As you state the problem; no, sir.

Senator MALONE. No one could believe it, of course, if they understood it. I hope that you study it this time because it is my personal opinion that you will be coming back next year, so I hope you know a little more about it when you come back.

What it is then—you must have studied international exchange a certain amount—that they can abrogate the agreements as long as they can show they are short of dollar-balance payment, until we have divided our markets and our cash with them, so we are all living pretty much alike; couldn't they?

Mr. BARNHARD. No, sir.

Senator MALONE. You don't think so?

Mr. BARNHARD. No, sir.

Senator MALONE. I will tell you how they can, if this is any information to you. Because they want to buy more than they earn, and as long as they do, they manipulate their money so that the value of their money does not represent what it represents on the exchanges at all. So they are short of that dollar balance. But in addition most of them do buy more each year than they can afford, as some of us do generally. So they can always show they are short of dollar payments until such time as those 36 foreign competitive nations are living just like we are. It is a question of whether they come up to us or we go down to their level. After that we could not until we reached that very state. But they can. Do you see that at all?

Mr. BARNHARD. No, sir; I am sorry.

Senator MALONE. Well, I am sorry that you do not. But if I were you I would study that a little bit.

Mr. BARNHARD. It seems to me, sir, that if they were to take a more realistic exchange ratio—and it is perfectly obvious that some of them are not realistic—the result would be an even smaller supply of dollars in their hands and even less opportunity to buy United States goods.

Senator MALONE. Yes, I think so. I think you are right if all of the nations of the world would face the situation instead of getting the cooperation they are now getting here in Washington as we continue to divide our wealth with them on the grandiose international socialistic scheme. I think you are right.

Mr. BARNHARD. Sir, it seems to me the answer which I have suggested and which, to me, is a proper answer, is to avoid completely any socialistic scheme and go back to a capitalistic scheme where they could earn dollars so they can buy from us the things they need and want.

Senator MALONE. In other words, you would remake the industrial map of the United States and allow them to import whatever someone in Washington—whether it be the Secretary of State or the President or anyone they might choose in Geneva—decides, so that you could choose the industries that are going to survive and the ones that will pass out of the picture?

Mr. BARNHARD. No, sir; I would not do that at all.

Senator MALONE. But they are doing it.

Mr. BARNHARD. I do not believe that is so, for this reason, that nobody in Washington determines who in America will buy what or import what. That is done only by businessmen who determine their own needs and buy accordingly from the supplier they prefer. This is free competitive enterprise.

Senator MALONE. My friend, I see now why you are probably charging for this information, but you are not in business yourself. All of these foreign nations, especially the European nations, understand exactly what the shading of the tariff or the shading of an import fee or an exchange permit means. Probably nobody in the United States understands it that is on our side.

Mr. BARNHARD. I have greater confidence in the American entrepreneur than you do.

Senator MALONE. Do you? I don't know how to ask you any more questions if you do not know any more than that about it. Because when you lower the tariff like you did the lead and zinc, like you do in the textiles—and let me ask one question in preface to that, do you understand that inflation lowers a fixed tariff in the proportion of the inflation?

Mr. BARNHARD. A specific duty you mean, sir?

Senator MALONE. Yes.

Mr. BARNHARD. Yes; it certainly has that effect.

Senator MALONE. That is right. Well now, then the dollar remains worth 48 cents or, in my opinion, about 35 cents, therefore 35 dollars can't be more than 35 cents, so you have reduced the fixed tariff through inflation. You would understand that; would you not?

Mr. BARNHARD. Yes, sir.

Senator MALONE. Well then, these products that are coming in are coming in because of that, and because under the Trade Agreements Act, it allowed them to lower it 50 percent—the first act—you remember that?

Mr. BARNHARD. Yes.

Senator MALONE. The second time it was another 50 percent which made a total of 75 percent; didn't it?

Mr. BARNHARD. Yes, sir.

Senator MALONE. Then 3 years ago 15 percent more at 5 percent a year; is that right?

Mr. BARNHARD. That is right.

Senator MALONE. Now you are asking for 25 percent more. Remember, 50 percent would have been half of it, another 50 percent would be 50 percent of the remaining which would make the total 75 percent; would it not?

Mr. BARNHARD. Yes, sir.

Senator MALONE. Multiply it on through and you haven't very much left; have you?

Mr. BARNHARD. Considerably smaller than we started with.

Senator MALONE. I will say it is. About 10 or 12 percent of what we started with.

In all of these trades then this has been done to the producer of the United States of America. And these imports are coming in, machine tools, textiles, minerals, all of these other commodities, by virtue of that lowering of the tariff or the duty?

Mr. BARNHARD. This has, certainly, been one factor. I don't know whether it has been the most significant.

Senator MALONE. I will allow you to have all of the other factors if we can get back on the basis of the principle of letting our duty or tariff represent the difference in the effective wages and cost of doing business here and the chief competing country on that 1930 act, to which we revert if we do not extend this one; you understand that?

Mr. BARNHARD. No, sir. It seems to me that the agreements that have already been negotiated would remain in effect, if this act is not extended.

Senator MALONE. I have some more news for you. On 2 months' notice to the nations that are a party to any multilateral trade agreement made in Geneva, they would revert to the Tariff Commission as an act of Congress; did you know that?

Mr. BARNHARD. Revert to?

Senator MALONE. To the United States Tariff Commission, an agent of Congress. It then operates on the basis of taking up any product at any time on its own motion, at the request of Congress, request of the consumer, request of the President, or request of the producer. And the principle is definite that they shall determine the cost of production of an article in this country, not the high or low but the reasonable cost, and the cost of producing that article or similar article in the chief competing nation and recommend that as a tariff. The principle is firm. They have no latitude. Do you know that after midnight of the 30th of this month, if this act is not renewed, that upon 2 months' notice, all products covered by multilateral trade agreements made at Geneva, revert to the United States Tariff Commission, an agent of the Congress?

Mr. BARNHARD. No.

Senator MALONE. That ought to be helpful information. You can charge for that.

I am going to ask you another question.

Do you know that upon 6 months' notice to the individual nations party to the bilateral trade agreements made by the State Department in Geneva that all of the articles covered by those trade agreements revert to the Tariff Commission, an agent of Congress, on the statutory rate to be flexibly adjusted under the provisions of the 1930 Tariff Act? That is exactly as I quoted to you. Do you know that?

Mr. BARNHARD. I do not know that, either.

Senator MALONE. I am being quite a help to you.

Mr. BARNHARD. I appreciate the information, sir.

Senator MALONE. I think you can charge for that.

You certainly should not put out anything contrary to that information and charge for it, because that would be bad.

Mr. BARNHARD. The information and any contrary thoughts would both have to be verified before I send them out to my clients.

Senator MALONE. I hope you will take time to verify them because everybody knows that. If you just ask a boy on the street I think he might tell you that part of it.

Mr. BARNHARD. That might not be the most reliable information.

Senator MALONE. Yours is not, I can tell that now. You didn't even know it.

Let us take this peril point. What do you understand by the peril point? You covered it pretty thoroughly. You are against about everything that even the House bill provides.

Mr. BARNHARD. Just six specific subjects.

Senator MALONE. What is that?

Mr. BARNHARD. Just the 6 I named—I named 6 of them.

Senator MALONE. What are they; what do the six sections provide, that you are against?

Mr. BARNHARD. Section 3 (a) (1), which allows rates to be increased to 50 percent above the 1934 rate.

Section 4 (b) which allows the escape-clause investigations to be instituted by Government in the absence of a complaint by domestic industry.

Section 5 (a), which permits the investigation to be started by organizations or groups of employees.

Section 5 (c), which allows a shift from duty-free status to dutiable status up to 50 percent.

And section 6, which gives Congress the veto over the Executive determination.

Senator MALONE. How does it give them the veto—what do they have to do?

Mr. BARNHARD. A two-thirds vote of both Houses of Congress could override an Executive determination.

Senator MALONE. From the standpoint of importers, when the Constitution puts the responsibility of the entire regulation of foreign trade in the hands of the legislative branch, there should not be too much complaint when they transferred all of it to the White House along with the fixing of foreign policy, by trading the markets away. But if two-thirds of the representatives of the people in the United States objected to it with a resolution, it does not seem that that would be too much authority to give the Congress, would it?

Mr. BARNHARD. Except, sir, that the Constitution gives to Congress the authority over interstate and foreign commerce, but gave it the authority to act only by law, only through a legislative process. It did not, as you said, give Congress the power to regulate or to administer or to execute any of these policies. It gave it only as a law-making power.

Senator LONG (presiding). There is another witness. I didn't want to mention it before.

Senator MALONE. I will have only one more question, and then I am all finished with him anyway. Do you say that the Constitution does not give the power to Congress to regulate foreign commerce?

Mr. BARNHARD. It does not give it the power to administer. It gives only the power to legislate, to pass laws.

Senator MALONE. To legislate?

Mr. BARNHARD. In the field——

Senator MALONE. And to fix the duties, imposts, and excise in the process, does it not?

Mr. BARNHARD. Yes, sir; by law; that is right.

Senator MALONE. By law. And the Tariff Commission, then, as the agent of Congress, does fix it under the 1930 act, does it not?

Mr. BARNHARD. Are you talking of section 336?

Senator MALONE. Yes.

Mr. BARNHARD. Yes: it has that power.

Senator MALONE. And, of course, to enforce the law. Congress does not act as a policeman. They just make the law.

Mr. BARNHARD. And the Executive administers the law.

Senator MALONE. Well, the Executive, yes; that is right. And he would administer the law just as Congress wrote it. Article I, section VIII, of the Constitution does not give it to him to write and to manipulate, does it?

Mr. BARNHARD. Except that Congress has, and frequently does delegate some of its legislative powers where it found it advisable and necessary.

Senator MALONE. Do you have any comparable things in the history of the 180 years of the Republic where they gave that to the Executive?

Mr. BARNHARD. Yes, sir.

Senator MALONE. What is it?

Mr. BARNHARD. The ICC is an example of an executive agency which has been given almost life-and-death power within the statutory framework to fix rates, tariffs, regulations, operating procedures, and all of the other.

Senator MALONE. An inside job here, isn't it? That is not foreign commerce and not foreign regulation.

Mr. BARNHARD. Take another field in which Congress has delegated constitutional legislative——

Senator MALONE. It is an inside job, isn't it?

Mr. BARNHARD. The CAB, whose power extends outside the United States.

Senator MALONE. I am finished.

Senator LONG. Senator Carlson?

Senator CARLSON. No questions.

Senator LONG. Thank you very much.

Mr. BARNHARD. Thank you, sir.
Senator LONG. Is Mr. Replogle here?
Mr. REPLOGLE. Yes.

STATEMENT OF DELBERT E. REPLOGLE ON BEHALF OF FRIENDS COMMITTEE ON NATIONAL LEGISLATION

Senator LONG. I believe you were passed over previously because you were not in the room.

Mr. REPLOGLE. That is right.

Senator LONG. I have a copy of your statement here. Do you care to testify at this point?

Mr. REPLOGLE. Yes, sir.

Senator LONG. I would prefer that you summarize your statement. I have read it, Mr. Replogle, and I believe others have, too. I am following the Reorganization Act to expedite these hearings and to try to hear all of the witnesses so that they may have a chance to present their views. Will you summarize your statement? There may be some questions to be asked afterward.

(The prepared statement referred to is as follows:)

STATEMENT OF DELBERT E. REPLOGLE ON BEHALF OF FRIENDS COMMITTEE ON NATIONAL LEGISLATION

Mr. Chairman and members of the committee, my name is Delbert Replogle. I am president of the Electronic Mechanics, Inc., and Mykroy Incorporated Companies, Clifton, N. J., which manufacture high-quality electrical insulation material for the electric and electronic fields. I appear today as general chairman of the Friends Committee on National Legislation, 104 C Street NE., Washington, D. C., an organization which seeks to represent many of the concerns of Friends, but does not claim to speak for the whole Religious Society of Friends, whose democratic organization does not lend itself to official spokesmen.

We support a liberal trade policy, including many provisions of H. R. 12591 as passed by the House of Representatives.

MORAL BASIS FOR LIBERAL TRADE PROGRAM

Our support for the reciprocal trade program is based upon the belief that we are our brother's keeper and should work for improved standards of living throughout the world. Reduction in trade barriers contributes to this end by increasing trade and bringing about more efficient use of resources. This more efficient use of resources results in lower prices to consumers.

Freeing trade also contributes to world peace, since greater economic well-being can reduce the pressures which sometimes lead to war. Furthermore, working together to increase the flow of trade increases international understanding. It helps establish a pattern of international cooperation which can be applied to other areas.

We feel the United States has a particular responsibility to provide leadership in this area, since we are the world's largest producers, creditors, traders, and investors. What we do or do not do has a strong effect in the economic welfare and trade policies of the entire world. Many countries, particularly the underdeveloped countries rely upon 1 or 2 export commodities as the source of their foreign exchange. Their sensitivity to our policies has been demonstrated by the violent Latin American reaction to the administration's recommendations on lead, zinc, and oil. There are other countries, such as Great Britain and Japan, which must export to live. Japan—our best customer after Canada—has a longstanding imbalance of trade with the United States. Yet, we understand, Japan has felt obligated to institute official export controls over some products for fear the United States Congress would place statutory limits on imports in these particular areas. Such trade relationships inhibit international good will.

In 1955, I had the privilege of testifying before the House Ways and Means Committee on the reciprocal trade program. Our basic reasons for supporting this vital program are as valid today as they were then.

Though many dispute this with us, we are of the firm belief that we are our brother's keeper. In this atomic age the welfare of the other peoples of the world is more than ever our concern. Trade between the nations will raise their level of living, will raise our level of living, and in so doing will lessen the chances of the international conflicts which affect the economic balance of the whole world. We are concerned with the individuals in these countries, many of whose daily major concern is whether they will have a full stomach at night and whether they will be able to keep warm during the next winter season.

People whose main concern lies in these material lacks do not make good customers for anyone. Then, too, men and women who are ill-fed, ill-clothed, and ill-housed—according to the last survey of FAO this still applies to more than half the world's people—turn more readily to the false claims of those who offer economic panaceas in totalitarian form, which never actually materialize, and lead their followers into situations from which only violence seems to release them.

The best alternative to indefinite cold war, capable of exploding almost overnight into armed conflict, would seem to us to be a world in which men increasingly learn cooperation, conciliation, and in the end find a sense of real brotherhood. Trade channels which are free can have beneficial results in this respect. The United States should be willing and eager to take the lead in continual pressing for greater movement of goods throughout the world.

ECONOMIC BENEFITS GAINED FROM LESSENING RESTRICTIONS ON TRADE

There are, of course, many very tangible reasons for supporting continuation of the reciprocal trade program. Foreign trade is an important factor in the United States economy. It makes jobs for at least 4½ million Americans and provides more direct employment than the automobile, steel, chemical and textile industries combined. In the present recession exports have helped to cushion the decline in employment.

In order to maintain this high level of exports, however, the United States must reduce trade barriers and expand imports. In the postwar period American exports have exceeded imports by many billions of dollars. This trend cannot continue indefinitely. In fact, exports began to drop during the last half of 1957 because many countries did not have sufficient gold and dollar reserves to continue a high level of purchases from the United States.

Another reason for supporting a program authorizing the President to negotiate trade reductions is the growing tendency toward the formation of customs unions. The most important of these is the European Economic Community which will be developing a common tariff during the next 4 years.

WHAT KIND OF RECIPROCAL TRADE BILL SHOULD CONGRESS ENACT?

Five-year extension with authority to reduce tariffs further

We are pleased that the House gave the President additional authority to reduce tariffs and extended the act for 5 years—an extension which will reduce international uncertainty as to United States trade policy. This 5-year extension is also essential if United States negotiators are to have sufficient authority to start, carry on, and complete trade negotiations with the Common Market. Actual negotiations will not begin until 1962, but preparation for negotiations must begin as soon as possible. We hope this committee will support these provisions of H. R. 12591.

Reevaluation of escape clause procedure

We should very much like to see the Finance Committee reevaluate the escape clause, peril point, and national security provisions of the present law and H. R. 12591. These provisions create great uncertainty as to our trade policy and continually threaten curtailment of imports. They are widely criticized by our friends.

The voluntary restrictions on oil imports, imposed under the national security amendment, have affected our relations with Latin America. The jeers and stones with which Vice President Nixon was greeted in Venezuela have been credited, in part, to resentment of our trade policy. In 1957, application of escape-clause proceedings for safety pins and spring clothespins brought objections from several of our European trading partners. They demanded compensation. If the United States is unable to offer these countries offsetting concessions, they may withdraw certain tariff reductions they have granted the United States. This whole procedure makes for irritation and pettiness. Important national and international issues are lost in a swirl of details.

In fact, the House Ways and Means Committee has warned that "* * * escape actions should not be lightly undertaken, involving as they do not only the interests of American businessmen and consumers, and of other producers who may lose the benefit of the compensatory concessions which were reciprocally granted to the United States by foreign countries, but also the foreign relations of the United States to a certain degree. Your committee has been impressed with the great impact which escape-clause actions have had upon the foreign relations of the United States."

Adjustments to assist injured industries, not increased tariffs

We of the Friends Committee on National Legislation believe that the escape clause should be restricted to industries which can prove an actual injury as a result of increased imports—not just a potential injury as is now the law. Furthermore, relief should take the form of governmental assistance to facilitate adjustment to United States trade policy—instead of tariff increases as presently provided. As a step in this direction, we support the Kennedy bill, S. 2007 and the amendments proposed by Senators Humphrey, Douglas, and others which would provide technical assistance, loans, and training benefits to communities, enterprises, and individuals who are injured as a result of tariff concessions. The cost of such a program would not be very high as it has been estimated that no more than 200,000 to 400,000 workers would be affected if all tariffs were temporarily suspended. Additional payments of unemployment compensation to displaced workers would be largely offset by savings in unemployment insurance payments in the export industries. Loans to displaced industries would ultimately yield interest payments.

Such a program would not revolutionize our economy but would be of great benefit to both the United States, which has an important stake in having its resources and skills used to the best advantage, and to other nations. It would constitute a more responsible approach to trade problems than we exhibited in raising the United States tariff on Swiss watches. Through this action we benefited a domestic industry responsible for one-fiftieth of 1 percent of United States production, but damaged a Swiss industry which employs 10 percent of the Swiss labor force, and accounts for half their exports to the United States.

Trade adjustment assistance is not a new concept. A similar policy has been adopted by the European Coal and Steel Community and the Common Market. We hope this committee will support a comparable policy.

Other comments

In line with this position, we urge the removal of the administration and House provision which would authorize the President to raise duties under the escape clause to 50 percent above the rates in effect on July 1, 1934. The House committee states that this provision will aid the President in avoiding the use of quotas, which they feel would "if adopted as an instrument of American policy * * * destroy our cooperative international trading arrangements, and invite retaliatory restrictions on trade to the detriment of American producers, spreading through all sectors of the American economy." We submit that the tariff-increasing provision is a step toward what the committee fears. There is no rational reason for tying rates to the 1934 period. This merely increases the subsidy paid by American consumers to certain American businesses.

We regret the House action in authorizing Congress to overturn the President's decision in escape-clause cases. We favor as wide an area of Presidential discretion in the tariff field as is compatible with congressional authority under the Constitution. The President is better informed on the international interests of the United States and better able to weigh these interests against domestic interest.

In summary we urge:

1. Extension of the reciprocal trade program for the full 5 years. (We believe a 3-year extension would be inadequate.)
2. Presidential authority to reduce tariffs up to 25 percent during that time, and the other reductions authorized in H. R. 12591.
3. A program to assist industries injured by foreign competition to change over to more competitive lines of production, instead of raising tariffs or imposing quotas.

We oppose:

1. The provision authorizing an increase up to 50 percent above the rates in effect on July 1, 1934, and
2. The provision inserted by the House which authorizes Congress to review the President's decision in escape-clause cases.

Mr. REPLOGLE. I want to bring a new factor into this matter—the moral basis for a liberal trade policy. I suspect that would be appreciated from a religious group such as ours.

I am a businessman and I have bought in some other countries and I have sold to other countries so I personally have had some experience in these matters.

I believe, as was said this morning, that we do have moral obligations in the world and that we are concerned with the well-being of other people in other parts of the world. We have proven that in our treatment of members of other States within our own Union here. We are concerned with the people of Maine and of Texas, and how their standard of living rises.

And we should be, as our vision grows, concerned with the standards of living of other nations of the world.

In that way we can get some sense of social responsibility throughout the world, and that will make for peace.

I realize that these are ideals but without ideals I think nations move backwards rather than forwards.

I had the privilege of testifying before the House Ways and Means Committee in 1955. We see no reason for changing our thinking on that matter, as we said then.

We feel that the best alternative to indefinite cold war capable of exploding almost overnight into armed conflict would seem to us to be a world in which men increasingly learn cooperation, conciliation and in the end find a sense of real brotherhood.

Trade channels that are free, can have beneficial results, in this respect.

The United States should be willing and eager to take the lead in continually pressing for greater movement of goods throughout the world.

We feel that there are benefits economically to be gained from lessening restrictions on trade, and we feel that a reciprocal trade bill such as the House has passed is good. It is a necessary step in that direction.

We feel that the escape clause should be reevaluated. And we are concerned, as Senator Douglas pointed out earlier in these hearings today, that the power given by the House bill to increase duties 50 percent beyond the 1934 levels, is not helpful. We would like to see that stricken from the bill.

We are just as interested in the people who are to be hurt by any lessening of trade restrictions. We are extremely interested in the Kennedy bill, S. 2807, and the amendments which Senators Humphrey and Douglas have proposed, that would help alleviate the hardships that are caused by any adjustment of trade barriers. That help can take some of the forms mentioned in the bill and amendment I have mentioned. We believe that there should be equal concern paid to our fellow citizens who would suffer in this matter.

We are quite concerned that high tariffs, which help preserve some industries, are a subsidy which is shared by all people, all citizens of the United States.

We have more or less accepted the ideal or principle that taxes should be in proportion to the ability to pay. These subsidies in the form of high tariffs make everybody pay the same regardless of whether they have a lot of money or a little money. If industries now protected by high tariffs could be subsidized on a Government basis from taxes, collected from those who have more to pay, it would be a more equitable arrangement in the light of our present philosophy of taxes.

For these reasons, we urge the extension of the reciprocal-trade program for the full 5 years. We believe that the 3-year extension is inadequate because of the negotiations which must be made with the European Economic Community which will be just coming to a head in 1962.

We support Presidential authority to reduce tariffs up to 25 percent during that time and the other reductions authorized in the House bill, 12591. We urge a program to assist industries injured by foreign competition to change over to more competitive lines of production, instead of raising tariffs or imposing quotas.

And we oppose the provision authorizing an increase up to 50 percent above the rates in effect on July 1, 1934.

And the provision inserted by the House which authorizes Congress to review the President's decision in the escape-clause cases.

Senator LONG. Let me ask you a question about your prepared statement on page 3, you say:

> The jeers and stones with which Vice President Nixon was greeted in Venezuela have been credited, in part, to resentment of our trade policy.

Would you feel secure if our supply of fuel in wartime had to depend upon people who throw stones at our Vice President, smash his car window, and spit at his wife? Would you like to see our wartime supply of fuel depend upon those people?

Mr. REPLOGLE. Hardly.

Senator LONG. Would not that provide a good argument in favor of maintaining a domestic oil industry adequate to provide for the needs of our Nation?

Mr. REPLOGLE. That isn't domestic. That is one of the domestic sources.

Senator LONG. I mean, an industry within the United States. Venezuela is more than a thousand miles away by sealanes that could be cut off by Russian submarines. There are no pipelines from Venezuela to the United States.

Do you think that we ought to rely for our wartime supply of fuel upon such a nation to the extent that we do not have an industry of our own to supply our needs?

Mr. REPLOGLE. The answer to that, of course, is no. However, to me, as with the Vice President, I think we should revise our trade policies as best we can to make friends with those people because I believe and most people will, too, I think, that there are good people just like those seeds that they found in the tombs of the Pharaohs, after 6,000 years. Given sunshine and water and nourishment, they grew. I think the good in people, if you can work with them and see their good intentions, can be nourished.

Senator LONG. We ought to be sure that we can meet out of our own market, domestic demand with domestic production if we have to. At present we import about 23 percent of our domestic consumption. We should be especially careful if the relation between our countries have so deteriorated that Americans who represent this country are not safe in Venezuela. Does that tend to prove your case?

Mr. REPLOGLE. I think that the oil industry may be one of those cases where additional subsidy may be in order.

Senator LONG. A subsidy for the oil people after they have gone out of one business and into another?

Mr. REPLOGLE. Not make all of the poor people in the country pay. Pay it out of taxes that are collected from people who have money.

Senator LONG. Why shouldn't we simply restrict oil imports to the point where we have a domestic oil industry capable of supplying our needs in wartime?

Mr. REPLOGLE. That would probably be desirable, but let us do it on the basis of subsidy that is understood as such rather than to make it universal as it would be where you raise the duty and raise the prices that everyone has to pay. This is my point.

Senator LONG. It would cost a great deal of money to tax the public that way.

Mr. REPLOGLE. Probably less than the other way. It is a matter of economy.

Senator LONG. I do not know how much the cost of a subsidy would be. The public is not willing to pay the taxes necessary for the large subsidy you have in mind.

That is the last of my questions.

Let me ask you this. Is the Friends organization a Quaker group?

Mr. REPLOGLE. Yes.

Senator LONG. Do Quakers still oppose actual combat in wartime?

Mr. REPLOGLE. We do not believe in violence.

Senator LONG. It is a pacifist group?

Mr. REPLOGLE. It grows from the deep concern of the worth of the individual, in every human being, God dwells in people.

Senator LONG. I can appreciate and respect the right of persons to take that attitude. But is it the view of the Friends Committee that we should not resort to armed force to prevent the Russians from seizing this country if they decide to invade us?

Mr. REPLOGLE. It would be the view of the Friends that we should do what we could to build up good will toward this country, so that such an eventuality would not happen.

Senator LONG. But if it did?

Mr. REPLOGLE. If it did, we would try to—we would advocate some way of seeing that it was brought to an early end.

Senator LONG. Would you advocate fighting?

Mr. REPLOGLE. No, we do not. We are not advocating the use of violence.

Senator LONG. That is the point I had in mind. It seems to me that your group believes that we ought to depend upon the Communists in Venezuela because we would not have to fight. It seems to me that it is a matter of national defense to have adequate supplies of oil as long as we are willing to fight.

Mr. REPLOGLE. Let us do it with subsidies, so it makes it even.

Senator MALONE. I do not know that I have any questions to ask you because I have been in two of these wars now and somebody just has to do the fighting until you can figure out a way to keep away from them. I do not regret either one of them and I would go again.

I am past 38 now but I have never seen anything practical advocated for peace regardless of all the books that have been written about it. How are you going to keep the peace except by whipping the fellow that wants to fight? Sometimes, though, he is pretty big, and it takes a little combination, a little tact. Nobody has come up with a formula as to how to do it except to just whip him, have they?

Mr. REPLOGLE. No, but we must. There is no alternative to peace except destruction with modern warfare.

Senator MALONE. That is right.

Mr. REPLOGLE. So we must find a way and there is where our concern is.

Senator MALONE. We do not want to fight anybody, do we? We just want to go home and have dinner and come back to work. But if there is nothing to do but defend yourself, which happens once or twice in a lifetime, you have to get that over with first, do you not—defend yourself and then go back and talk peace?

Mr. REPLOGLE. There are various ways of defending yourself.

Senator MALONE. What are some of them?

Mr. REPLOGLE. There is such a thing as winning your enemy. I know many people say that is impossible, but it can happen.

Senator MALONE. I do not think it is. It may take 200 or 300 years, but we may finally do it.

Mr. REPLOGLE. And somebody has to have the ideals.

Senator MALONE. Oh, yes.

Mr. REPLOGLE. And someone has to have the vision to try to do that.

Senator MALONE. But do you think that ideals should let them out of the job of doing whatever there is to be done to win until you start in on another cycle of trying to make friends? Would you advocate that if I joined your church that my family would be kept out of any war and you would just skip that period?

Mr. REPLOGLE. We would certainly advocate a course of action that would prevent war.

Senator MALONE. But after the war is declared, you can certainly understand what I am talking about, you are in a fight. If your family gets in trouble, it isn't a theoretical thing after that. And so you help them out and then start again, don't you?

Well, that is enough.

Mr. REPLOGLE. Well, possibly. We have plenty of Quaker examples where nonviolence was used more successfully than violence, the experiment in Pennsylvania with the Indians, and so forth——

Senator MALONE. Yes; I know. You have a lot of examples, too, of different organizations where they went to great lengths not to help the United States in what few critical periods they have been in. I am not talking about the Quakers. I know just what they did do. But pretty near everybody from my part of the country thinks you had better carry your weight in whatever the State or the Nation has decided to do, and then after it's over, debate like we do in the Senate. If we win, all right. If we don't, why we accept that until we can do something else.

Mr. REPLOGLE. We Friends want to carry our weight before that conflict starts.

Senator MALONE. I understand that, but suppose you have a conflict, and you do not want to carry it while the real trouble is on, is that it? I do not know this. I am asking this for information.

Mr. REPLOGLE. There has to be some people of good will in these bad times, people that can keep alive something besides hate that is generated during war.

Senator MALONE. That is right.

There were about 4 million of us in that first war and we kept it alive pretty well.

Mr. REPLOGLE. I am sorry it was necessary.

Senator MALONE. None of us changed very much.

We came back and started talking peace again. But while the battle was on you did not hear them complaining very much, and there were about a million and a half of them that got over there in France and other places. It was not nice. Many of us said that we were glad that we were in that one but we would not like to be in anymore. But there came a second one if you will remember.

Mr. REPLOGLE. Yes; I do.

Senator MALONE. I have seen the boys out there. I know one they sent in behind the Japs at Dutch Harbor. I saw some of the boys out there who laid it on the line and they can have my watch and chain anytime.

Now the cold war—I am getting so tired of hearing this cold war business. We have been hearing it now ever since Mr. Churchill invented the term. He also invented the term "Iron Curtain" when he made a speech for Mr. Truman in Missouri. All these catchwords and phrases are fine for people to make speeches with but they do not hold much water when you come right down to trying to pay the bills.

There is no cold war. The European nations recognize Communist China, they trade with Communist China and they are trading with Russia now. We are a little "holier than thou" and claim we are not, but indirectly we are.

When I was elected to the Senate I thought I had to see all our star borders so I started out to do that when I first got here.

It took 8 years and I also went behind that Iron Curtain. They call it that, and maybe it is, but anybody can go behind it who wants to. I traveled 14,000 miles in Russia. Now Mr. Khrushchev is for Russia and Churchill is for England and all these other people are for their own nation. We need a couple of men, just a few, for the United States of America.

Mr. REPLOGLE. We have them.

Senator MALONE. I know we have, but they take peculiar outlets for their loyalty. We do not have a cold war. We are trading with everybody indirectly because Europe is trading with everybody. It came out in one of these committees that England sent copper to Russia right in the middle of the thing. There is no use in my asking you these questions. I am sure you did not know that the President, under this act, can trade a part or all of any industry in this country if he thinks it would further his overall foreign policy.

You have heard it today. Did you know that?

Mr. REPLOGLE. Yes.

Senator MALONE. And you think it ought to be like that?

Mr. R PLOGLE. If it would be for the good of the country.

Senator MALONE. If one man, if his Cabinet thinks it is a good thing, then you think that power ought to be in the White House?

Mr. REPLOGLE. I think so.

Senator MALONE. You know that the foreign nations do not have to keep their part of the agreement as long as they can show they are short of dollar balance. In other words, they do not have quite as much wealth as we have, and they can fix a price on their money in terms of the dollar.

Mr. REPLOGLE. They pay a price for that, though, a high price on their citizens to manipulate their currency.

Senator MALONE. Then they can show they are short of dollar balances. What price do they pay?

Mr. REPLOGLE. Because they cannot buy outside. They cannot import if they lower their monetary value.

Senator MALONE. I am going to say something to you and it is not argumentative because I am awfully glad to see you.

I am glad you are here and I know you are a good man. But if the foreign nations did not fix a false price on their money and they let it go on exchanges just like we do, then all the profitable trade that there is in the world would be done by individuals and Government if they wanted to, and many of them do handle it for the Government. But when they sold something here, if the money was on the stock exchange, they could pay their own money for anything they bought, if you knew in the morning you could get the dollars down here because it was on the stock exchange like stock.

You buy it for $20 a share today and the only chance you take is if it goes up or down before you get back tomorrow. That is right, is it not?

Mr. REPLOGLE. Yes.

Senator MALONE. That is the way the exchange works. The only thing is they could only buy what they could afford to buy, like you and I can, whatever we earn, and our family.

We are in trouble when we consistently buy more than we earn, aren't we?

Mr. REPLOGLE. Right.

Senator MALONE. So are they.

But their trouble is alleviated somewhat temporarily by having the system under which we are now operating, and that is this act, and in recognizing that they can fix a false price on their money and destroy any peril point overnight. So we are dividing our wealth with them throughout the world on an international socialist scheme.

It can be nothing else, because we have the only markets of any consequence in the pot in Geneva. It would be like you going in partnership with Mr. Rockefeller. When he withdrew the firm would be dead, would it not?

Mr. REPLOGLE. It sure would.

Senator MALONE. Well, that is exactly the way it is with Geneva. Now many of our people throughout the country are ahead of the Congress regardless of this sound barrier on the Potomac that no public sentiment ever gets across. They know what we are doing now, and I do not know anybody that likes it, because for 140 years when you could compete with any American you were in business here but you are not in business now, because in Washington they can sacrifice any industry and destroy it overnight and you do not even know what happened to you until the next morning, but you are broke, you are no longer in business—and that is what we are doing to business in this country now.

Someone mentioned the Kennedy bill—you did.

Mr. REPLOGLE. I did.

Senator MALONE. The State Department has advocated something like that bill for 24 years—that, when through these trades, an industry is sacrificed you would retrain those men for other work and ship them someplace else, and you would compensate the stockholders of that company to a certain extent. Do you favor that procedure?

Mr. REPLOGLE. Yes, I do.

Senator MALONE. That is the way they do it in Russia, except they do not need a congressional act. They just load them up on the train and send them to Siberia or any place where they need goldminers or something else.

The fact they do not know much about it does not seem to bother them.

Mr. REPLOGLE. I do not feel because the Russians do a good thing we should not do it.

Senator MALONE. You think that is a good thing?

Mr. REPLOGLE. I would advocate adjustments for industries and workers.

Senator MALONE. Mr. Chairman, that is all I have.

Senator LONG. Mr. Carlson.

Senator CARLSON. Mr. Chairman, I just want to say this. I am familiar with the fine work done by the Friends organization nationally and particularly in the State of Kansas. Your organization did more when it came to moving refugees who lost everything in World War II than any group; and, in fact, I visited foreign countries and saw some of your work personnel.

You are the one organization in the State of Kansas that sent more food, more clothing and rehabilitated many farm homes with livestock, special projects that are outstanding in the Friends organization; so I think it is fine we do have a number of people who devote themselves solely to that work, and I appreciate it.

Mr. REPLOGLE. Thank you, Senator.

Senator LONG. Thank you very much, Mr. Replogle.

Senator MALONE. Where are you from, Mr. Replogle?

Mr. REPLOGLE. From Ridgewood, N. J.

Senator LONG. Have you ever been west of the Alleghenies?

Mr. REPLOGLE. Oh yes. I was in the Government service in Alaska.

Senator LONG. What kind of service?

Mr. REPLOGLE. Department of the Interior teaching.

I established the farthest north radio station.

Senator LONG. I join with my Kansas colleague in thinking your organization does much fine work. I regret very much, however, that we cannot think through the problem about which you are testifying.

Mr. REPLOGLE. We would like to convince you, Senator Malone.

Senator MALONE. Come out to Nevada.

Mr. REPLOGLE. I want to say now before you leave that there are 1,400 men out of work in Ely, Nev., practically everybody in Lincoln County, and in Humboldt County. All they ask is a fair shot at the American market and they do not get it and they are out of work and walking the street. The crockery people are exactly the same in Ohio. They disappeared. The glass people are going out. I understand they are not even going to let them testify here.

All we want is somebody to testify before the committee on the principle. I think your 6 million unemployed are mostly due to this Trade Agreement Act, and I think you will all know it within a year.

I am very happy to see you and I am like the Chairman. I will go to any lengths that you should say what you want to say, and the record will speak for itself.

Mr. REPLOGLE. We are very concerned about those people out of work. We were in the coalfields when the coal changed, so we sent people in there to help them with new trades. We did not do much but we helped some.

I think that ought to be extended into a much wider field.

Senator LONG. It is an improvement to have competition within the United States.

Whenever it results in lower wages alone, we are moving too far, too fast.

Is Mr. Edward Hollander here?

STATEMENT OF EDWARD D. HOLLANDER, NATIONAL DIRECTOR, AMERICANS FOR DEMOCRATIC ACTION

Mr. HOLLANDER. My name is Edward D. Hollander.

I am national director of Americans for Democratic Action. I appreciate very much this opportunity to present ADA's views on H. R. 12591, extension of the Reciprocal Trade Agreements Act for 5 years.

The case for reciprocal trade agreements is basically a case of American self-interest. As the world's leading trading nation, the United States has more to gain economically, from imports as well as exports, than any other nation.

The reciprocal trade agreements program was conceived and justified in terms of its advantages to the United States economy—in a time of depression—long before there was cold war or worldwide economic and political competition with communism.

Add to this the present-day requirements of a global foreign economic policy and the challenge of the Soviet Union to a war of economies, and the case for reciprocal trade agreements becomes all but unanswerable.

I should like to make it plain at the beginning that while ADA supports H. R. 12591 for want of a better alternative, we recognize that it seriously compromises the principle and practice of reciprocal trade in several important respects.

We believe that it has been weakened by damaging concessions to protectionism. We consider the escape-clause procedure inconsistent with reciprocal trade policy and a burden on beneficial trade agreements. We think the limits of tariff reductions permitted by the bill are excessively cautious and likely to limit in turn the advantages we can gain. Obversely, we have opposed the provision which permits raising duties in escape-clause cases as much as 50 percent above the 1934 Smoot-Hawley tariffs or, as appears possible, even higher. Because we believe that negotiated trade agreements should be a permanent part of United States trade policy we think that even to limit the extension to 5 years is an unwise and unnecessary limitation in a world in which trade is becoming an increasingly important weapon of international policy.

We are aware that the bill is attacked from the other side as well, by those who argue that negotiated reciprocal tariff reductions have—and will—hurt American business and, by the same token, American labor.

By this they mean, of course, that lowering tariffs increases competition, including price competition. We believe they have failed to make their case—at least in the national interest. We concede that, to the extent that tariffs are protective, a decrease in duties decreases the protection—that is, increases competition. But since when is competition anathema to American industry, which was built on competition and thrives on it?

Ah, but, they say, we want protection from unfair competition, especially the competition from substandard foreign wages. But we submit that this argument, though superficially plausible, does not stand scrutiny.

In the first place, it is not wage rates that you need to be concerned with, but labor costs—wage costs per unit of production. And American industry being fabulously high in efficiency and productivity, is able to compete successfully with industries abroad paying lower wages.

How else can we account for the large volume of exports of American automobiles, machinery, electrical manufactures, and other goods made by the highest paid American labor, which competes most successfully in the world markets? It is sometimes argued by those seeking protection that the foreign industries competing with them are sweatshop industries in their own countries. But the facts do not support this either. Evidence presented before congressional committees has shown that the hierarchy of the wage structure is similar in most industrial countries, that what are high-wage industries in one country are, relatively, high-wage industries in another, and similarly with low-wage industries. Rarely can high tariffs be justified as a sort of "minimum-wage" protection against foreign sweatshops.

Moreover, wages are far from accounting for total costs, and American industry has many advantages in other costs, particularly the costs and availability of capital for plant equipment needed for high productivity.

If, in spite of the advantages of American industry, other countries are able to produce some products more advantageously, it would require some overriding considerations of national interest—not sectional or parochial preference—to deprive American business and American consumers of the benefits of lower priced or higher quality imports by requiring them to buy instead higher priced or poorer quality goods of domestic production. We do not deny that from time to time such national interests have been asserted and have prevailed, notably in the interest of national defense or national security.

But these should be precisely defined and precisely used for that purpose—not to spread a blanket of production over producers who find it more comfortable not to be exposed to international competition.

The generalization is, we believe, that it should be the policy of the United States to encourage foreign trade, which necessarily means imports as well as exports—unless, of course, we wish to give our exports away. We should do this not only for the benefit of consumers of imports, but to sustain the large volume of production and employment which depend on both imports and exports. The trade itself employs some 1,400,000 people, and many domestic industries are dependent on imports.

The controversial example of hardwood plywood is a case in point: Without imports of these plywoods, the American flush door industry would not be able to meet its demand. And beyond this, some 3,100,000 people are now dependent on our export trade for their jobs, many times more than those whose jobs are involved in import competition. This is nowhere more true, of course, than in American agriculture.

Nevertheless, we cannot close our eyes to the effects of competition from abroad. As is the case of competition within the domestic economy, there are some producers, perhaps some nations, which enjoy a competitive advantage, even great enough to overcome the added costs of transportation to the United States. Indeed if this were not true, there would be no international trade except that arising from distribution of natural resources among the nations of the world. Competition from abroad, like domestic competition, not only sharpens the incentive and efficiency of American industry but in a free dynamic economy causes necessary and healthy redistribution and reallocation of resources including capital and manpower.

Under ordinary circumstances this requires no intervention by the Government. On the contrary, under ordinary circumstances it should be welcomed as a means of helping to keep the economy efficient and productive, and we should be extremely wary of the use of tariffs to prevent the necessary adjustments and perpetuate economic inefficiencies and anachronisms.

In saying this, however, we cannot fail to recognize that under exceptional circumstances the effects of this, however healthy for the economy as a whole, may be extremely harsh in its impact on certain small segments of American capital and American labor. Where these are diffused throughout the economy, offering the expectation of efficient reemployment in other forms of production, they can be absorbed after a brief period of adjustment, as happens in the aftermath of domestic competition.

It is merely when the effects are sudden, substantial, and concentrated geographically that they create a situation which we believe the Government is bound to take cognizance of.

ADA is by no means indifferent to this kind of situation. We have repeatedly recommended that the Trade Agreements Act should include provision for adjustment assistance to help both business and workers in tiding over the period of redeployment to other productive economic activity, just as we have supported similar programs for economic development of areas of the United States depressed for any other reason.

If, for example, there are areas where coal mines and coal miners are no longer fully employed, and where the prospect is that they will not be, it seems to us that it is of incidental importance whether the cause is from technological change, severe foreign competition, severe domestic competition, or the exhaustion of the coal. In any case, the country has an obligation to soften the impact of this on the people concerned. Always it is the people, not the activity or the product, which is the object of our concern.

For this reason we support the bill by Senator Kennedy, S. 2097, for a comprehensive adjustment assistance program as an integral accessory of the reciprocal trade program. In fact we would propose that this procedure rather than the escape clause procedure should be invoked in cases of "serious injury" to domestic producers.

From the foregoing, Mr. Chairman, it will be plain to you that ADA would under any circumstances support a reciprocal trade program as being in the best interests of the American economy.

There are two compelling reasons of international policy which reinforce the importance of this program and which make it absolutely essential that the act be extended if not permanently for at least 5 years.

The first of these, of course, is the economic war declared on the free world, and on the United States in particular, by the Soviet Union.

The evidence is accumulating day by day, from Government and non-Government sources alike, that this is no idle threat.

The Soviet Union has certainly the intention to undermine the United States position in the world economy for the economic and political benefit of the Communist bloc.

We have, unfortunately, direct examples such as Egypt and Syria of how effective this can be and how much harm it can do to our standing and our cause. Moreover, there is evidence of the rapid growth of the Soviet economy which is giving them the means of carrying out this intent.

It seems clear to us that a Reciprocal Trade Agreements Act is an indispensable tool for the kind of flexible, dynamic, long-range United States trade policy needed to counter the Soviet offensive.

The other compelling reason for a long-range extension of the act is, of course, the prospect of the European Common Market which will come into being over the next few years. Specifically, the common external tariffs of the Common Market will be in the process of negotiation over the next five years and will reach a crucial stage at three years from now.

A trade agreement act that expired precisely at that time would have the effect of hobbling the negotiations by which the United States can hold its place as an exporter to the European market.

It is not only good international policy but stern self-interest which requires us to keep our best tool in full working order for these purposes. For this reason, also, while we would advocate a permanent authority, we feel that a 5-year extension is indispensable.

Mr. Chairman, we urge you to look at this as a question of the highest importance affecting the national and international policy of the United States.

As you listen sympathetically to those for whom increased imports create serious problem—and less sympathetically, we hope, to those seeking merely a windfall of protection—we urge you to decide the case in favor of the national interest. We hope you will decide to approve H. R. 12591, with an adjustment assistance program added, as the minimum that will serve that interest.

Senator LONG. Mr. Hollander, what is your view with regard to industries and commodities that are essential to national defense? Do you believe that we should continue to produce these commodities in quantities sufficient to supply our wartime needs?

Mr. HOLLANDER. Senator, I adverted to that on the second page of the testimony, saying that the national interest has sometimes required, especially the national defense, or national security has sometimes required action at variance with this kind of trade program, and that we recognize particularly the necessity to keep if not production, then the facilities which will make possible production, though I must say I am bound to call your attention to the view that is more and more widely expressed, sir, most recently I believe by Professor Galbraith in his new book that if, God forbid, there should be another war, it will not be a long war of production and of the economy as the Second World War was, but that in a full-scale nuclear war, we would never have a chance to mobilize our productive facilities, so that it would seem that we would need to keep those facilities in condition for whatever emergency might arise.

Senator LONG. In the event of another war, we may have to fight the war with what we have on hand when it begins. That is one point I have made in connection with fuel oil and gas. It is not possible during a war to allocate the steel and the productive facilities to make the equipment with which to drill wells. You have to have enough fuel when the war begins to fight during its early phases. If you do not have enough oil to get that far, you have lost the war anyway.

Mr. HOLLANDER. Senator, it has seemed to me that there was a case to be made for conserving that oil for just such emergencies when we might be cut off from overseas supplies, and using the overseas supplies while we still could.

I am not sure what the advantages from the national defense might be of one course as against the other.

Senator LONG. For the last 20 or 30 years, the actual money reserves of oil have been enough to last the Nation for about 23 years. As those reserves have been depleted, discoveries have increased, and there is every reason to believe that there is as much oil between 10,000 feet and 20,000 feet as there is between the surface and 10,000.

In other words, we have developed perhaps less than half of the known reserve, and there is a great reserve we have not found at 10,000 feet.

Much of that is high-cost oil as compared to oil produced in foreign countries.

Saudi Arabia has a very low production cost, even lower than that of Venezuela or Canada. If we put ourselves in the position that we rely upon that oil, however, we will not be developing our own reserves. The crucial point is that we cannot develop our reserves in just a few months. It would take a number of years. Even 5 years would not give you sufficient time to develop the reserves that you would need to fight a war, and, by that time, the war would be over.

I take it that you see the need of having an oil industry that can meet the Nation's requirements in the event of war?

Mr. HOLLANDER. Yes.

Senator LONG. How about the program of spreading? It seems to me that it would help consumers if we increase imports that spread the competitive effect. Would it seem fair to you to try to reduce tariffs in such a way that all industries in which foreign nations can produce as cheaply as the United States would bear their share of foreign competition?

Mr. HOLLANDER. Well, in a free market, Senator, as we hope we have in the United States, you have to leave this in the last analysis to the consumers, both the individual consumers and the business consumers as to where their preference lies.

It may be that they greatly prefer American automobiles let us say, to foreign automobiles, but it may be that they prefer Swiss watches to American watches, and I do not know how in a free, dynamic economy like this you can order the kind of spreading that you speak of except through some governmental action which will cushion the effects on the people who are most directly affected if it affects them seriously.

Senator LONG. I think that as long as an industry is exporting a lot more than it is importing, it has little need of additional tariff protection. I wondered if you felt that way.

Mr. HOLLANDER. Yes, indeed.

Senator LONG. Frankly, unless and until you can put into effect the sort of program that you are advocating, a program which has very little possibility of being enacted now and which provides relief for all the individuals and industries that we forced out of business, people are going to resist any increased trade that drives their industries out of business and their people out of work. I am sure you would agree that that would be the case.

It seems to me that the best way to expand foreign trade is to require that tariffs be reduced in industries where exports exceed imports. Would that seem fair to you?

Mr. HOLLANDER. Yes.

Senator LONG. There was a proposal 3 years ago that we suspend tariffs on articles that are imported into this Nation in negligible quantities.

How would you feel about that today?

Mr. HOLLANDER. Well, except if the tariffs are very high, it would not seem to me that this would very likely expand trade very much, because if they were much in demand in this country, they would not be imported except in negligible quantities.

Senator LONG. My guess is that at the time that statement was made automobiles were in that category.

Compared to the volume of the industry the imports of foreign automobiles 3 years ago were in negligible quantities.

Mr. HOLLANDER. Yes.

Senator LONG. But nowadays there are considerable imports.

In dollar volume, however, the imports still do not approach the exports of our automobile industry.

I have the impression that you would increase trade if you let other people compete in the American market and gain a certain acceptance for their product. If they were to gain a sizable portion of the market, however, the domestic industry would be entitled to more protection.

Mr. HOLLANDER. Well, there is another course that domestic industry can take, Mr. Chairman, and it seems to me that perhaps automobiles illustrates the point I was trying to make so briefly, and that is the reaction in a competitive economy to this kind of competition.

I think the automobile industry as far as I know has reacted not by asking higher tariffs but by asking itself should it not itself manufacture small cars of the kinds that are being imported, and this kind of competition I regard as healthy, and it may lead the automobile industry to a reevaluation of its products which on the whole is the way competition is supposed to work, and I think this is all to the good.

Senator LONG. Senator Malone.

Senator MALONE. What is the Committee for Democratic Action?

Mr. HOLLANDER. It is an organization for political action, Senator, consisting of something over 40,000 individuals throughout the country who are generally in favor of what we call a liberal political and economic domestic and foreign policy.

Senator MALONE. You operate in all the States of the Union?

Mr. HOLLANDER. Just about.

Senator MALONE. What States are left out?

Mr. HOLLANDER. I would not be able to answer that offhand without looking it up. I think we have members in every State.

Senator MALONE. Would you do that and give us a list of the States?

Mr. HOLLANDER. Yes; of course.

Senator MALONE. If you would; and if you have a president or manager in each State I would be very glad if you would furnish it for the record. Would you do that?

Mr. HOLLANDER. We do not have chapters in every State, Senator. In some States we have what we call members at large.

Senator MALONE. Where you do have a chapter there is a manager?

Mr. HOLLANDER. Or an officer; yes, indeed.

Senator MALONE. Furnish us that, if you will.

Mr. HOLLANDER. Yes, indeed.

Senator MALONE. And you say for political action. How do you go about this political action?

Mr. HOLLANDER. Well, political action in the broadest sense, Senator. This is an organization of people who believe that by engaging in political action at home, through elections and through trying to influence legislation, it can bring about the accomplishment of the objectives that they believe in.

Senator MALONE. And your objectives; do they include foreign aid, the billions to help Europe and Asia?

Mr. HOLLANDER. Yes, indeed, Senator.

Senator MALONE. They include free trade, that is the 1934 Trade Agreement Act which has been extended 10 times.

Mr. HOLLANDER. Yes.

Senator MALONE. Does it embrace continued inflation that we have had?

Mr. HOLLANDER. No, indeed.

Senator MALONE. Do you think that is a good thing?

Mr. HOLLANDER. No, indeed.

Senator MALONE. Apparently no administration has tried to slow it up very much. It started when we went off the gold standard and began to print money without anything behind it, and then by raising the debt limit continually. I suppose there are many factors, but as long as Congress continues to raise the debt limit, and as long as the Federal Reserve Board which Mr. Martin heads can, as he recently testified, put more money in circulation or take some out of circulation through various manipulations, as long as they can fix the stock-market margin from 100 percent to no margin if they want to, they can just about control the economy. Don't they do that here in Washington?

Mr. HOLLANDER. No; I would not say so, sir.

Senator MALONE. You wouldn't?
Mr. HOLLANDER. No.
Senator MALONE. You wouldn't?
Mr. HOLLANDER. No.
Senator MALONE. What else do you think they would need to control it?
Mr. HOLLANDER. Well, Senator, we have seen during the war the extent to which the Government can go without entirely controlling the economy. The kind of indirect control or the indirect means of influencing the general economic climate which is common not only to the United States but to almost every other country through its central bank and its monetary system is very far from controlling the entire economy.
Senator MALONE. Very powerful.
Mr. HOLLANDER. If they could control the economy, no doubt they would not permit some of the things that they now have to put up with, that we all have to put up with.
Senator MALONE. What are some of those things?
Mr. HOLLANDER. The high rate of unemployment, for example, and the increase in prices.
Senator MALONE. That is inflation; is it not?
Mr. HOLLANDER. Yes.
Senator MALONE. Don't you think it causes inflation when they say that the industries need more money in circulation? I forget the phrase Mr. Martin of the Federal Reserve Board uses, but he can estimate what he thinks is needed and put it into circulation. He testified to that.
Mr. HOLLANDER. Well, of course, Senator, at the moment I believe what we are suffering from is deflation, not inflation.
Senator MALONE. What?
Mr. HOLLANDER. We are suffering from a recession now, not from an inflation.
Senator MALONE. Some people have other names for it. What are some of the names that they use out there where the folks are?
Mr. HOLLANDER. I have heard it called recession.
Senator MALONE. Where do you live?
Mr. HOLLANDER. In Washington, D. C.
Senator MALONE. Where are you from?
Mr. HOLLANDER. I was born and raised in Baltimore, Md.
Senator MALONE. A fine town. Lots of people work for a living over there.
Mr. HOLLANDER. Yes; I did myself.
Senator MALONE. You have studied this act. How long has vour organization been studying it?
How long have you supported it?
Mr. HOLLANDER. Every since we have been in business, Senator, which is 11 years now.
Senator MALONE. Time does pass; doesn't it? Now you mentioned that with our high efficiency in American industry, you indicated that we could compete with pretty near anybody regardless of wages—or did I get the wrong idea there?
Mr. HOLLANDER. Well, as a generalization I think the American economy competes very successfully. I did not say this was true of every industry, but it seems to me that there is ample evidence that in

spite of paying very high wages because of other economic advantages which we enjoy we have on the whole competed very successfully.

Senator MALONE. What is to keep American investors that go abroad, as for example Mr. Ford, from taking all the know-how and installing the latest plant for manufacture? Do you have any idea how they go about it in a plant abroad?

Mr. HOLLANDER. I have seen some, not many.

Senator MALONE. Did you every hear that the latest plant of any kind, wherever it is built, whether it is in Siam, Chile, Argentina, or England, is the best in the world in that particular category?

Mr. HOLLANDER. No.

Senator MALONE. Well, I have some news for you. That is true. And they do not hire the doorman to go over and put these plants in or hire anyone there who is using old machinery. American industry has sent more than $50 billion abroad for investment since World War II, and in every case in every nation in the world they took a look at a lot of the industry and in every case the new plant is the best. What did you used to do when you worked in plants, or where did you work?

Mr. HOLLANDER. I worked in a retail business in Baltimore.

Senator MALONE. Retail sales?

Mr. HOLLANDER. Yes, sir.

Senator MALONE. What they do is to take anywhere from 2 to 5 percent, sometimes as much as 7 percent, of trained workingmen from an automobile factory or from a textile factory or from a mine here, and they take them to this new plant. These men then train the workingmen of that area. Did you ever hear of that business?

Mr. HOLLANDER. Yes.

Senator MALONE. You know they do that?

Mr. HOLLANDER. Yes.

Senator MALONE. Then with their methods these days of piecework, one man does not have to know how to make an automobile. He just has to know how to put that particular part together; does he not?

Mr. HOLLANDER. Well, he has to know a great deal more than that, Senator. I mean he has to be a well-educated man, able to read elaborate instructions and to read gages and blueprints and graphs. I have been abroad and seen the disadvantage at which other countries operate because their workers are not so well educated and not so sophisticated as ours.

Senator MALONE. Well, it could be you ought to go again.

Mr. HOLLANDER. Well, I will be glad to.

Senator MALONE. American capital does know how to handle the situation, and they are using the latest machinery, the latest methods, everything, so that plants like the iron mines in the Bolivar Mountains in Venezuela—just taking it as an example because there is no real difference in anyplace where American capital goes—they have that large rock- and earth-moving machinery just as large as we have in this country. They have a driver on this piece of machinery that moves just as much dirt and rock as anybody here.

They have methods of drilling and shooting down this material that would do credit to any mine you would find in the United States. You know that, of course?

Mr. HOLLANDER. Yes.

Senator MALONE. Then when you finally come down to it, and I hope you will examine the situation a little further, the difference is in the low water transportation and the difference in the wages—taking into account the difference on the Equator where some of the folks do not do quite as much work, but in the temperate countries such as England, Scotland, Japan, there is not much difference.

About all the difference there is when you get right down to it are the wages and low water transportation. I want to leave that with you.

Mr. HOLLANDER. Is that not also extremely rich ore, Senator?

Senator MALONE. Some of it, and so it is in Brazil with manganese. And in Japan they are making titanium, which has a high weight-strength ratio and is highly heat resistant. They were making about half of the titanium used in the United States in Henderson, Nev.

I just want to mention one thing that has very little to do with the richness of ore. The other half of our titanium consumption was made in New Jersey by the Du Pont Co. and it was increasing in use pretty fast. But last year we imported more titanium from Japan at 20 cent an hour labor than they were making at Henderson with the cost of labor about $2.75 an hour. They were very fine people who were working there, sending their kids to school, paying their taxes, and having a little fun, a lake right back of them a hundred miles long where they could go and do a little fishing and various things. But last year 500 of them were laid off. There is nothing that evens the cost of production between Japan and the United States in that material, and we find that to be true of most of the materials that are sent from there. Now I was very much interested for that reason.

Twenty-five or thirty years ago what you have said may have been true. Today it has entirely upset the balance. Of course, I deplore the cheap labor products sold to this country, because the only way one can stay in production here is to have either a fixed price or tariff that makes the difference in the effective cost of labor and the cost of doing here and in the chief competing nation. They cannot fight without it.

I think they destroy the United States of America when they acknowledge that that is the only right anybody has to be in business. Did you know that the President can trade a part of or all of any industry he wants in order to further his foreign policy if it involves a change in the duties or tariffs?

Mr. HOLLANDER. Do you mean by this, Senator, that the President in making decisions under the act can take into account the interests of United States foreign policy as well as tariff and economic policy?

Senator MALONE. And if he considers it more important he can sacrifice that industry.

Mr. HOLLANDER. Well, sir, only to the extent that Congress can also.

Senator MALONE. Within the limits set down in the act.

Mr. HOLLANDER. Yes.

Senator MALONE. You understand that, don't you?

Mr. HOLLANDER. Yes, surely.

Senator MALONE. Do you also understand that the foreign countries do not need to keep their part of the agreement as long as they can show they are short of dollar balance payments?

Mr. HOLLANDER. There are a number, if I am not mistaken, Senator, a number of escapes under these agreements which we or they can avail themselves of.

Senator MALONE. This has nothing to do with that part of it. I only ask you if you do know that they do not need to keep the agreements at all if they can show they are short of dollar balance payments.

Mr. HOLLANDER. And we have, I believe, the right to then ask for renegotiation of the concessions that we have.

Senator MALONE. Would you please answer that one question and then we will pass on to the next.

Mr. HOLLANDER. Yes.

Senator MALONE. You do know that, don't you?

Mr. HOLLANDER. Yes.

Senator MALONE. That's very helpful of you and I admire you for your stand. I admire anybody that stands up for what they think. I only ask that they consider the evidence and stand by their convictions if they still believe them on the Senate floor, as in this committee, we finally vote and nobody gets mad at anybody although we may be a little disappointed at times.

Now since those two things are established, it means that you can remake the industrial map of the United States under this act. Would you agree?

Mr. HOLLANDER. No, sir, I would not agree.

Senator MALONE. Let me explain it to you.

You did have a crockery industry in Ohio, just for example, did you not?

Mr. HOLLANDER. Yes.

Senator MALONE. Where is it now?

Mr. HOLLANDER. Greatly diminished.

Senator MALONE. What?

Mr. HOLLANDER. It is greatly diminished.

Senator MALONE. If you have a wife, and I presume you do, ask her to go down to the stores wherever you live and see where the crockery comes from and you will know why it is not only greatly diminished, but is practically extinct. It comes from Japan and Germany. I do not blame the American manufacturers who go abroad and buy these plants and profit by cheap labor. Commerce makes it profitable.

Now do you believe that it is a subsidy to an industry to have a fixed price or a tariff or duty as it is called in the Constitution of the United States in article I, section 8, that merely makes a difference in the effective labor cost and the cost of doing business here and in the chief competing nation? Do you believe that that is a subsidy?

Mr. HOLLANDER. A subsidy, did you say? It is a tax.

Senator MALONE. Many call it a subsidy.

Mr. HOLLANDER. It is a tax on the American public.

Senator MALONE. Yes, it is.

Mr. HOLLANDER. For the benefit of that industry.

Senator MALONE. Let's think it through a little further.

I was going to try to help you. We can get a \$2 shirt from Japan, can't we, and a pretty good shirt although probably not as good as the one I am wearing which cost me \$5 or \$6.

Isn't that about right?

Mr. HOLLANDER. This, I don't know, Senator.

Senator MALONE. Well, for your information, I will tell you that is true.

Mr. HOLLANDER. There are $2 shirts on the market.

Senator MALONE. From Japan. I don't blame the American manufacturers who set up those textile plants with high-class machinery.

I was in China, Japan, and everywhere, but these shirts are coming from our machinery.

You do know that we have put out about $70 billion to foreign nations since World War II, to bring their plants up to date and build up dollar balances against our gold reserve and to pay off a few dictators and things?

You know all this.

Mr. HOLLANDER. I thought the figure was 56 billion, but it is a very large sum.

Senator MALONE. It is past 70 now, but I hear bandied about 67 or 68.

It wouldn't be very much difference when you get past 50. Then you do know that more than $50 billion have been expended by American corporations and individuals in building such plants and in investments abroad to use the cheap foreign labor and bring this stuff back under the lowered tariffs that you are hoping to promote now?

You do know that?

Mr. HOLLANDER. I believe that a very large part, Senator, of the American private investment abroad has been in the development of raw materials rather than in factories.

Senator MALONE. I have some news for you. In Japan, England, other nations, a lot of it is in the mines, a lot of it is in raw materials, but much of it, and I could not tell you the proportion, but a very great proportion is in manufactured goods like the automobiles which are coming back.

I suppose you know of some of these large automobile plants?

Mr. HOLLANDER. Some of them.

Senator MALONE. Could you suggest who they might be?

Mr. HOLLANDER. It is well known that Ford and General Motors have European subsidiaries.

Senator MALONE. I do not blame General Motors and Ford.

Four or five years ago, I stated on the floor that there were 26 foreign plants owned by the Ford Co. Mr. Ford is a freetrader. I don't blame him at all.

I simply blame the Congress which makes it profitable.

Then, if you are going to do anything to protect the wages in this country and the standard of living, you would probably admit that it ought to be on a principle, or would you?

Mr. HOLLANDER. Senator, the Reciprocal Trade Agreements Act has been in effect, I believe now for over 20 years.

Senator MALONE. 24 years.

Mr. HOLLANDER. And during that time there has been almost uninterrupted increase in the American standard of living, in the level of American wages and in employment and an almost uninterrupted expansion in the American economy, even taking into account the increase in population. It is extremely difficult to build a case against the Trade Agreements Act on the basis of what has happened in the American economy since it was enacted.

Senator MALONE. Yes, it was until rather recently. You see, we had two wars, didn't we, or did we? Do you recall?

Mr. HOLLANDER. Yes. You are referring to World War II and Korea.

Senator MALONE. The police action there that murdered those kids. We wouldn't let them win and wouldn't let them lose.

And preparations for war, do you think that that has had any effect on the economy?

Mr. HOLLANDER. I think it has drained off a great deal of the productive capacity of the economy that would otherwise have been put to peaceful uses.

Senator MALONE. It has drained off quite a few boys, too, hasn't it?

Mr. HOLLANDER. It certainly has.

Senator MALONE. Did it hold the economy up in the buying of American products for the two wars and the preparation for war now? Do you think it is having any effect on the economy?

Mr. HOLLANDER. Yes. As I say, I think it is making it impossible for us to build the houses we ought to have, the schools we ought to have, because we have to divert those resources, necessarily but unfortunately, into defense purposes.

Senator MALONE. Yes. What did we expend for defense this fiscal year, about $40 billion to $45 billion, was it?

Mr. HOLLANDER. $40 billion, I think, is the budget figure.

Senator MALONE. Next year, it will be about $55 billion, will it not?

Mr. HOLLANDER. I wouldn't be surprised. It will be a very large sum.

Senator MALONE. We might level this thing off a little by that raise in expenditures of $15 billion. It might even bring the economy up a little, but we are still living under a war economy, aren't we?

Mr. HOLLANDER. Partially. It is, certainly, not a war economy.

Senator MALONE. Well, by and large, it is a war economy. We will, maybe, agree on that part of it, wouldn't we?

Mr. HOLLANDER. Yes.

Senator MALONE. I think we are like a two-bottle man. For 2 years he has got up to that point, and one morning he gets up and feels a little worse, so he takes another pint, but he is still living on the bottle, and he is afraid to quit because he knows, if he does, he will go to the hospital, and he doesn't quite have the guts to do it, and it could be that we are very close to that. Now, let's talk about this 4½ million people involved in foreign trade.

Senator LONG. I am not sure I heard the witness answer. Did you respond to that statement about the bottle?

Senator MALONE. I think he understands.

Mr. HOLLANDER. I certainly don't agree that this is the way the economy is operating.

Senator MALONE. No; I know you don't, but I have some news for you. By spring, we will all know what we are living on, if at all. Right now we have about 6 million unemployed, or 5½ million, do we not?

Mr. HOLLANDER. Yes.

SENATOR MALONE. I know where a lot of them are, individually. It runs in my mind that there were, at the last count, and I will correct this for the record, 243 depressed areas, depressed mostly through imports just like crockery, glass, minerals, and many other products.

The boys are out of work. They are on the street. We ignore it all we can, but in my State it is pretty hard to ignore. Now, it is going to come up, of course; we all know that. I don't know it, but all the economists do. Now, you go ahead and tell me about this.

Mr. HOLLANDER. I was only going to say, to a very great extent, these depressed areas we speak of are areas that are depressed because their natural resources have given out, like the coal mines and some of the timberlands.

Senator MALONE. Oh, my God, you really don't mean that, do you?

Mr. HOLLANDER. Of course, I mean it. When you think of eastern Pennsylvania, when you think of places like Cumberland, Md., and the Upper Peninsula of Michigan, the cutover lands.

Senator MALONE. When you think of Ely, Nev.?

Mr. HOLLANDER. I don't say that there were none of these that were related to imports. I am simply pointing out that, in most cases, this is an exhaustion of raw materials or an absence of resources in the area to support the population.

Senator MALONE. It will be great news to many of these depressed areas, because they are figuring on maybe getting some of this money to retrain the workers who are out of work because the material is coming in; not the coal, but oil.

Our chairman has questioned you here a little about that. All you need is either a fixed price, which I don't favor, except if you can't get anything else, or a tariff to make the difference in the wages and the cost of doing business here and in the chief competing country on oil in the various classes, the breakdown which the Tariff Commission is fully able to do.

And the oil business in this country will increae from 8 days a month or whatever it is they are working now, and the coal business will increase.

Mr. HOLLANDER. Not if it loses its export markets, Senator.

Senator MALONE. You have lost your American market now. You lost your export market when you took the dollar off of any base it ever had and, through inflation, you lost the export market except when you pay subsidies.

Mr. HOLLANDER. Senator, the shift from coal to oil was a development that was going to come, and no tariff in the world could have stopped it. The coal-mining industry is suffering from a vast and long-drawn-out technological revolution.

Senator MALONE. My friend, no one ever objects to one industry in America substituting for another.

Mr. HOLLANDER. Well, is the coal miner any better off if his unemployment arises from the competition of American oil or the competition of foreign oil? The point is what we need to do——

Senator MALONE. We never object.

Mr. HOLLANDER. Is something to help the coal miner and get him out of the fix he is in, and what difference does it make to him whether it is from foreign competition or domestic competition?

Senator MALONE. To me, there is a difference in principle. Whenever there is a newer way invented by America or anyplace else, but used here, and one industry is displaced by another American industry, no one has any kick coming. It is only when they use the cheaper labor to do it.

So, if your oil reaches the price that it probably would reach if you had a tariff to make the difference on each class of product or a fixed price—and I don't like a fixed price, but it would be preferable to nothing—your cheap-labor oil will displace both domestic coal and domestic oil. Your oil on an American price won't displace as much coal as the cheap foreign labor price, and that is all anybody is talking about.

They are not talking about an industry in this country displacing another industry in this country through higher efficiency or a different way of producing heat.

You may have uranium taking the place of both oil and coal one of these days.

Mr. HOLLANDER. That is right.

Senator MALONE. But who is going to object if the uranium comes from America?

Mr. HOLLANDER. The man who is thrown out of work is going to be just as much out of work.

Senator MALONE. But he is not going to object. This has been going on for 150 years before you had this free trade. All I want to do is talk about the subject.

Now, we are and have been going to the Belgian Congo, Canada, and every place else for uranium, while it is running out of our ears in the United States of America. You probably didn't know that, did you?

Mr. HOLLANDER. Yes.

Senator MALONE. I don't object at all if they mine uranium in this country and have a tariff that makes up the difference in labor and production costs here and in any other countries and it displaces anything. I won't say a word, and I don't think you would.

Mr. HOLLANDER. If the oil can be more efficiently produced, and I am not talking about labor costs, I am talking about the output, the rate of productivity of the wells, somewhere else and brought to this country, why should the American people have to pay more for oil in order to perpetuate some industries that ought to be allowed to——

Senator MALONE. Expire?

Mr. HOLLANDER. Well, to take their course along with others.

Senator MALONE. I am glad you made yourself clear. And I have a further piece of news for you that I want you to take home with you.

All of the history of American and foreign production in furnishing American markets is that when our own industry is gone the foreign importers take what the traffic will bear and the consumer that you are so concerned about does not get the advantage.

Now I am just giving you that to think about. I am very glad that you are here. I am glad to know that you think cheaper production in any country in the world that can displace production here is a right thing to do, and that you consider that the overall foreign policy of the administration, and the administration itself, not the Congress, should be the judge.

You do believe that?

Mr. HOLLANDER. Yes, sir.

Senator MALONE. Thank you very much, Mr. Hollander.

That concludes the witnesses for today.

As announced by the chairman, Senator Byrd, the committee will meet again at 10 o'clock tomorrow morning.

(By direction of the chairman, the following is made a part of the record:)

STATEMENT OF WALTER M. RINGER, MINNEAPOLIS, MINN., APPROVING 5-YEAR EXTENSION PROVIDED IN HOUSE BILL 12591

I would appreciate the opportunity of expressing my personal views in support of the Reciprocal Trade Agreements Act. I do not pose as an expert, but simply as a businessman and an average American citizen, interested in, and advocating expansion of, international trade for our country.

I am chairman of three small family-owned companies in rather diversified lines; the Foley Manufacturing Co. of Minneapolis, Minn., manufacturing automatic saw filers and grinders, rotary lawnmowers, and a line of Foley kitchen utensils; the Goodall Co. of Warrensburg, Mo., manufacturing rotary lawnmowers; the Ringer St. Croix Co., with plants at Stillwater and Park Rapids, Minn., manufacturing uniform jackets for the Future Farmers of America, and a line of parka jackets for the retail clothing trade.

I am president of the Minnesota Development Corp., recently organized by the Minnesota Bankers Association, to encourage and finance small industries in Minnesota.

In 1943 I helped to organize the small-business committee of the Department of Commerce. I served as vice chairman for 3 years.

Since 1946 I have been a member of the Business Advisory Council to the Department of Commerce.

In January 1953 I left our business and headed a team evaluating foreign aid in Denmark.

On my return from this assignment, I became regional director for Europe in the Foreign Operations Administration. I served in this capacity until November 1954. During much of that time I had direct contact with the 16 countries in the European division.

I believe the 24-year history of the Reciprocal Trade Agreements Act has helped to make the United States the greatest trading nation in the world with a total volume of exports in 1957 approximating $19½ billion, with imports approximating $12 billion.

Ours is a consumer-directed economy—one reason why it is the richest in the world. If the consumer is to remain sovereign, he must have freedom of choice among all competitors. His choice must not be restricted—his prices must not be raised by pressures of a few. Should that happen, our economy would be different and far less productive than we have known.

Our economy is not self-sufficient. The United States must depend on trade for many necessary materials. It would be very short sighted not to follow the course of expanded trade.

Protectionism strikes at the real bases of American wealth; it temporarily protects a few at the eventual expense of the many but it does even more. In the long run it strikes at the United States own interests in the world and in the peace of the world.

In self-interest the United States must be concerned with the political fate of other nations. By encouraging trade expansion it could help provide the actual bases of wealth elsewhere, thus giving other nations tangible reasons for shunning communism.

All Americans share in the benefits of world trade. The production of the goods that our industry and agriculture sell abroad creates many jobs for American workers who, in turn, buy things produced by other countries. Employment opportunities are also expanded by the handling and processing of imported goods, especially the imported raw materials that are essential to many industries.

Farmers depend greatly on foreign sales. In 1956 one-fifth of the United States cropland produced for foreign markets. About 11 percent of our total farm production is exported each year. Export sales, which are of critical importance for some farm commodities, absorb over a third of the wheat and rice crops, nearly a third of the tobacco and the fat and oil production, and a seventh of our cotton output. Over $400 million of farm products, food, and fibers were exported to Germany in 1957 alone.

We in Minnesota are concerned with export trade. In January 1958, about 63 percent of the total number of Minnesota workers in manufacturing industries were employed in the major industries producing goods which the United States exports in greater quantities than it imports.

Table 1, which is a part of this statement, contains statistics which illustrate in a striking manner the importance to the welfare of the State of 11 leading Minnesota industries producing goods which the United States exports in greater volume than it imports.

Total United States exports of products of these industries were valued at $4.2 billion in 1954 and over $6.2 billion in 1956. Assuming that Minnesota shared in this national export trade proportionately to its importance as a producer, the value of exports of these commodities produced in Minnesota was somewhere in the neighborhood of $70 million in 1954 and over $105 million in 1956.

Minnesota is an important producer of a number of major export commodities. The statistics in table II, which is attached, illustrate the importance of exports to the leading Minnesota farm products.

The total value of the Minnesota production of the commodities listed in table II was over $1.06 billion in 1954. The exportation of these commodities benefits a large proportion of the individual farms in Minnesota.

Our export trade also increases the domestic market for Minnesota agricultural products. Industrial production for export in Minnesota and all other States adds importantly to the employment, wages, and purchasing power in the cities and towns where Minnesota farm products are sold, and directly increases the prosperity of Minnesota farmers.

In addition to the Minnesota enterprises which produce exports, a large number of enterprises in the State have a very important stake in moving, storing, and financing such goods.

TABLE 1.—*Principal Minnesota industries manufacturing commodities imported in United States export trade*

[Values in dollars]

Manufacturing industries	Minnesota, 1954			United States exports	
	Number of employees	Wages and salaries	Value added by manufacture	1954 value	1956 value
1. Meat products	18,346	$80,672,000	$136,957,000	$60,800,000	$95,900,000
2. Electrical machinery	6,680	27,893,000	48,718,000	598,800,000	747,400,000
3. Apparel and related products	8,971	24,858,000	38,962,000	621,500,000	629,700,000
4. Primary metal industries	5,339	23,810,000	30,009,000	515,700,000	1,067,800,000
5. Fabricated metal products	9,707	40,907,000	72,259,000	341,000,000	468,100,000
6. Tractors and farm machinery	5,404	21,586,000	41,228,000	403,900,000	417,600,000
7. Service-industry and household machines	5,808	23,675,000	46,811,000	118,000,000	134,600,000
8. Dairy products	10,316	36,936,000	72,072,000	81,300,000	149,700,000
9. Grain-mill products	5,128	21,743,000	51,300,000	749,800,000	1,838,500,000
10. Canning, preserving and freezing	2,328	6,841,000	17,722,000	271,600,000	370,600,000
11. Construction and mining machinery	2,959	13,741,000	21,627,000	447,500,000	786,600,000
Total	80,986	322,662,000	577,845,000	4,209,900,000	6,206,500,000

NOTE.—National employment in same categories: 4,537,276.

Source: Census reports.

TABLE II.—*Principal Minnesota agricultural products important in United States export trade*

[Value in dollars]

Agricultural commodities	Minnesota		United States exports	
	Number of farms, 1954	Production, 1954	1954 value	1956 value
Total number of farms	165,225			
Crops:				
Corn	126,101	$340,864,685	$130,363,000	$182,406,000
Oats	126,704	111,262,816	975,000	21,682,000
Wheat		22,325,272	350,022,000	694,465,000
Soybeans	55,921	96,378,492	132,319,761	177,611,846
Flaxseed	29,235	25,561,000	24,417,496	32,056,220
Barley	22,837	29,925,912	27,279,000	91,483,000
Livestock and products:				
Hogs	[1] 97,529	[2] 172,275,595	101,000	532,000
Dairy products	115,021	198,700,310	81,329,000	149,777,000
Eggs	105,267	65,786,901	17,237,000	19,246,000
		1,063,080,983	764,043,257	1,369,259,066

[1] On hand.
[2] Sales.

Source: Bureau of the Census reports.

Practically every important industry in Minnesota is dependent upon imports to supply at least some of its essential raw materials. The principal large industries in Minnesota dependent upon imports are shown in table III, attached.

In my own city of Minneapolis, exports amount to $50 million annually with annual imports of $25 million. Some 25,000 Minneapolis employees depend on export-import business for their livelihood. In St. Paul, the estimates indicate exports of approximately $11½ million, with imports of $7½ million.

Unfortunately there is a tendency, not only in America, but in many countries, to throw up protectionist earthworks as soon as clouds of recession appear. In this connection it might be worth remembering that the imposition of the highly protectionist Smoot-Hawley tariff of 1930 had anything but a stimulating effect on America's economy.

During the years 1928 to 1930, we exhibited our saw filing machinery line at the Leipzig, Germany, Fair, and in those years sold several hundred thousand dollars worth of our machines in seven European countries. This business was lost almost entirely following the adoption in 1930 of the Hawley-Smoot tariff here in the United States, which resulted in the widespread "Buy in Europe" movement.

To sell we must buy. If we are to have and keep friends in the countries of the free world, that are so necessary for its preservation, we must be in a position to sit across the table to negotiate on tariffs and trade. This can best be done under the Reciprocal Trade Agreements Act.

As I have indicated, I have had some direct and intimate experience in the economic relations of the United States and the rest of the world, particularly Europe. Therefore, I direct this statement primarily to consideration of our relations with European countries and of the integral part in those relations played by the Reciprocal Trade Agreements Act at this time.

TABLE III.—*Selected Minnesota industries dependent in whole or in part on imported products, 1954*

[Values in thousands of dollars]

Industries	Number of employees	Wages and salaries	Value added to product in manufacture	Imports important to industry	Tariff applicable ad valorem equivalent for 1949 imports
Machinery, except electrical.	23,492	99,930	178,174	Copper (except fabricated); tin; chrome; asbestos; crude rubber.	(1)
Electrical machinery	6,680	27,893	48,718	Nickel and alloys	3.9
Fabricated-metal products.	9,707	40,907	72,259	Zinc blocks, pigs, and slabs	7.8
				Aluminum metal and alloys, crude.	14.3
Transportation equipment.	6,852	31,165	68,452	Lead pigs and bars	8.5
				Antimony metal	3.0
				Mica, unmanufactured	17.9
Printing and publishing.	19,450	85,808	138,625	Newsprint; tin	(1)
				Lead pigs and bars	8.5
Paper and allied products.	15,428	71,226	173,960	Antimony metal	3.0
Toilet preparations	1,141	4,251	50,658	Coconut oil from Philippines; lavender and spike-lavender oil; bergamot oil; rose oil or attar of roses; floral essences and concretes.	(1) (2)
Leather and related products.	1,599	5,307	3,070	Goat, kid, sheep and lambskins, raw.	(1)
				Quebracho extract	7.5
Confectionery products.	1,033	3,094	5,863	Raw cane sugar	8.8
				Cocoa beans	(1)
Total	85,384	369,581	739,779		

[1] Free.
[2] Internal revenue tax.

Source: Census reports, U. S. Tariff Commission (preliminary data).

As you, of course, know, the Governments of France, Germany, Italy, Belgium, Netherlands, and Luxembourg have formally ratified the treaties establishing, by progressive stages, the European Economic Community. They have agreed that in a period of 12 to 15 years, all tariffs and quotas presently imposed on the trade between these countries will be eliminated and that a common external tariff will be established at the average level of tariffs presently in effect.

This means that at the end of 15 years, all merchandise, services, and labor will move with complete freedom within the 6-nation area but that imports from the outside (including the United States) must come in over tariff barriers at the average of those now existing. This will be the situation unless the United States, through the extension of this Reciprocal Trade Agreement Act, is prepared to negotiate a reciprocal reduction of those tariffs.

The first stage of the formation of the European Economic Community will be a period of 4 to 6 years, during which existing tariffs within the Community will be reduced by 30 percent. Thus there is a rough correspondence between the proposal calling for a 5-year extension and 25-percent tariff reducing authority contained in H. R. 10368 now before the committee and the schedule of the Common Market.

The issue which is here posed is, I think, an extremely critical one for this committee and for the United States. The question, purely in terms of our export trade, is whether we are prepared to continue to try to leap a constant tariff wall, while our competition is enjoying regular and progressive tariff reduction.

The formation of the European Economic Community is a development which is potentially very favorable to the United States, provided we are prepared to negotiate with the Community for the reciprocal reduction of tariffs.

We can be confident that in the long run the economic growth and higher standards of living, brought about in Europe by the vastly wider market area, will greatly enlarge our own export opportunities. It has always been true generally that our largest volume of trade is carried on with the most highly developed countries and those with the highest standards of living. As countries develop, the number of products in which trade is possible multiplies, the more complex the economy the broader the trading possibilities, again provided barriers are reduced and the common interest fostered. This is almost certain to be true in the case of Europe.

On the other hand, we must face the fact that if we fail to pass the reciprocal trade agreements extension in adequate form and thus are not prepared to carry out this reciprocal reduction, we may expect a gradual contraction in our exports. For us this would be a difficult adjustment with not only a serious effect on those United States industries in the export trade but on our general rate of economic activity. The tariff discrimination we would suffer under these circumstances could have adverse impact.

The evolution and changes in the world a .d industry demand that we in the United States consider the increasing potential for trade of these countries in this changing world. The only means of maintaining and expanding world trade is through negotiations and trade agreements made possible by the conditions of our Reciprocal Trade Agreement Act.

We must keep in mind that there are countries that want to sell European countries and represent competition willing to make agreements that will permit selling. Russia is now trying to make a new agreement for expanded trade with Germany.

Europeans are watching closely what we do with the legislation before this committee for a guide as to the direction our foreign trade policy and our foreign economic policy will take. We cannot doubt that, what they conclude to be our intention will be a powerful influence on the direction their own plans take.

In effect, they will have the choice—first, if we pass this trade agreements extension providing a full 5-year period and 25 percent tariff reducing authority, to decide that their own economic integration should proceed with full expectation that their economic and commercial relations with the United States will continue to be close; or second, if we fail to pass this legislation in meaningful form, to decide that they must proceed with their integration in a manner independent of United States interests.

I am quite sure that there are many influential groups in Europe who have felt that a continued United States trade policy of liberalism and cooperation cannot now be relied upon—that they would be risking the economic welfare of all members of the European Economic Community to assume that a high and expanding level of trade with the United States will be possible in the future.

These groups would certainly conclude, in the event of our rejection of this trade agreements extension, that a general multilateral trading system with a universal progessive reduction of trade barriers, will be impossible in the future. They would urge that Europe conduct its trade relations on a bilateral basis and proceed with its economic integration in the direction of what might be called regional nationalism.

There can be no doubt that, were they to be successful in this advocacy—and it might seem to make good sense under the circumstances—it would represent a tragic loosening of the ties which bind us together—ties of common aspirations, of common economic welfare, of common security, of friendship.

Then, too, they would be led to revise their views on trade with the Soviet bloc. With the possibilities of restricted trade with the United States, opportunities with the East would, of necessity, be fully explored. As that trade increased and with it European dependence on the East, both as a source of imports and a market for exports, our bonds would be further loosened.

Undoubtedly the European Common Market is an outgrowth and development of the Organization for European Economic Cooperation, which I am sure you know about.

Comprised of 16 countries, with the United States and Canada as associate members, it was organized and established a few years ago. This organization holds two meetings a year in Paris and maintains a permanent working organization.

During my Government service, I attended these meetings and was much impressed with the fact that, for the first time in history, 16 countries were working together toward closer relations, both economic and fiscal. In my opinion it is essential that the United States continue to participate in such negotiations with these countries, more particularly since the Soviet bloc has initiated a new economic policy in dealing with other countries.

In this short statement I have dealt with our relations with Europe. The considerations which I have outlined may easily apply with equal force to other parts of the world, particularly to those other groups of nations which are presently studying the feasibility of regional integration. We should continue to watch Africa, which is just starting to boom. It will be an important market in the future.

The European free trade area, soon to be added to the Common Market and expanding that free market from 6 nations to 16, is a case in point. Our whole trade policy of 25 years standing—calling for world multilateral trading system in which the goods of all free nations move from one to another over steadily declining barriers is at stake in this legislation.

I strongly urge your approval of the 5-year extension of this Reciprocal Trade Agreement Act.

The United States overriding world interest is peace—and peace historically travels the route of trade. The free world will go one way or the other. Whatever direction it takes will depend very heavily on what this Congress does this year with this reciprocal trade agreements extension.

STATEMENT OF MRS. CHASE S. OSBORN, SAULT STE. MARIE, MICH.

I am Mrs. Chase S. Osborn, Sault Ste. Marie, Mich., and Poulan, Ga., widow of a Republican Governor of Michigan, and author, with Governor Osborn, and alone, of books in the fields of literature, geography, and history.

I am here as a private citizen, representing no interest except a strong personal need to do all in my power to defend individual freedom.

The survival of freedom itself is involved in this trade question. I care very much about freedom.

This statement presents facts in the relationship of the United States to Iceland because that is an example, particularly easy to visualize, which makes the worldwide situation clear.

In this little country hundreds of millions of dollars invested in a military base for NATO have failed to turn back Russian imperialism's economic and political aggression, and our tariff policy has actually opened the door for Russian penetration.

The statement is based on discussions over a period of 3 weeks in Iceland with such leaders as Hon. Bjarni Benediktsson, vice chairman of the Independence Party, floor leader of the opposition, former Minister of Foreign Affairs who signed the North Atlantic Treaty for Iceland; Hon. Emil Jonsson, then Acting Foreign Minister; Hon. Haraldur Gudmundsson, chairman of the Social Democratic Party; Dr. Gylfi Gislasson, M. P., Minister of Education; Dr. Alexander Jóhannesson, rector emeritus of the University of Iceland, who presided at the symbolic reunion of the Althing in 1944 when the Republic was proclaimed; Hon. Jóhann Hafstein, M. P., president of the Iceland Fisheries Bank and member of the Standing Committee of the NATO Parliamentary Conference; Mr. Kjartan Thors, president of the board of the Icelandic Trawler Owners Association; Hon. Benedikt Gröndal, M. P., secretary of the Social Democratic Party and head of a large cooperative; Col. Ragnar Stefansson, public relations officer for the base at Keflavik; and others in the higher circles of government, education, business, diplomacy, religion, civil organizations, and women's groups, including the editors of the four non-Communist newspapers at Reykjavik.

In the spring of 1956 the news broke out that Iceland was asking for the withdrawal of our troops from the NATO base at Keflavik. It struck me like the first sputnik. It meant that the oldest republic in the West—the cradleland of parliamentary government—was sliding under the control of Communist despotism. To me, as to President Eisenhower, this was incredible. I decided to go there and see for myself what was happening.

I found this strategic island-nation well defended from military attack by army, air, and radar installations; but that the Communists had sufficient political and economic power to push the NATO base off the island—to defeat us there ignominiously—without the firing of a single gun. The one thing the Communists lack for the achievement of this victory is a wave of antiwestern or neutralist sentiment. It was such a wave that the Communists were riding in the spring of 1956. The Hungarian revolution blew that wave away. We must expect that the Communists will continue to exert their cunning to whip up another wave. Meanwhile their power remains: 2 out of 6 Cabinet posts are in the hands of the Communists; the labor union, with strike power able to cut Iceland from supplies by both sea and air, is under tight Communist control; the current of trade has been turned to the East away from the West.

There were a number of contributory causes for the startling action of the Icelandic Parliament in 1956, but the taproot of the dangerous situation was national trade conflict.

American fishing interests had gained high tariff protection against Icelandic fish, and were asking for still tighter restrictions. Added to the definite barriers, there was the factor of constant threat and uncertainty. Iceland had practically nothing but fish to sell abroad to get the means to purchase its supplies; and it is dependent on the outside world for practically everything. The attitude of our fishing industry made the United States seem to have no regard for Iceland except as a military base. This was perfect grist for the Communist propaganda mill, that the Americans were completely callous as to whether the people of Iceland lived or died. Moscow came in, then, agreeing to buy Icelandic fish—at a good price—for a term of years that banished uncertainty. The Communists appeared in the role of rescuers.

One influential Icelander told me, as the one fact to be underlined, that as long as Iceland must increasingly sell and buy in the East, nothing can stop the growth of Russian influence on Iceland.

While I was there, an eastern delegation signed a trade agreement upping still more the percentage of Iceland's trade with the Communist bloc.

A recent report to the New York Times (January 7, 1958) from the editor of Visir in Reykjavik, says:

"Iceland's foreign commerce in 1957 was characterized by the steady increase in trade with Eastern Europe, primarily with the Soviet Union, and the rapid decline in trade with the United States. * * * The Russians have increased their purchases of Icelandic products 40 percent since 1955; * * * during the same period, imports from the Soviet Union have jumped more than 50 percent. * * * Trade with other countries behind the Iron Curtain has also been on the rise, especially with Eastern Germany, which has doubled its share. * * * The United States, which for years was Iceland's best buyer and supplier, has been relegated to second place in both categories by the Soviet Union. * * * Icelanders face the future with misgivings, both in the economic and political field. * * * Part of the Government (i. e., the Communist) thinks Iceland's difficulties can be solved by closer ties with the Soviet bloc. Many (prowesterners) also think that the Western Powers are letting Iceland down, letting her slip into the Soviet bloc."

Dr. Alexander Johannesson, rector emeritus of the University of Iceland, a pioneering airline executive as well as an internationally known philologist, has just written that "There is no better way to check their (Communist) influence than to increase steadily the trade between the United States and Iceland."

If I may, I would like to file with this statement Dr. Johannesson's letter and a clipping of the report to the New York Times by Mr. Hersteinn Pálsson. Both are dated January 1958.

On the surface, there appears to be a dilemma as to whether the interests of the fishing industry in the Eastern United States are going to be damaged, or our strategic base in Iceland is to survive. Actually, there are alternative solutions.

When tariff protection must be lowered for the sake of national security, those industries that are disadvantaged could file claims and be reimbursed for damages. Such a visible subsidy, that the American taxpayer would pay directly to injured American industries and their employees, would give the taxpayer two definite things in return: lower prices on his purchases; and strengthening, by the ties of trade, of the defense bases that national security so greatly needs. The present hidden subsidy by tariff, which the American taxpayer cannot measure and pays for in higher prices, if uncontrolled by consideration of the larger welfare, can, as the example of Iceland shows, cut the actual ground from under major structures of national defense.

There is also an alternative to the visible subsidy. Moscow is not attempting to carry on her trade aggression alone. Increasingly, it is pooling the markets and products of its satellites, creating a cooperative bloc of despotisms which undertakes to provide a market wherever a market is needed, and especially where our trade door is closed. Our necessity, as shown in Iceland, to provide a free-world market for our partners and for other uncommitted nations, is a problem bigger than this country can solve alone. Keeping the plight of Iceland and the procedure of Moscow in mind, it seems clear that 15 NATO partners, pooling their economic problems in a joint trade commission of some kind, could divide in some manner, among 14 free nations, the Icelandic product. The disposition of that product must eventually persuade the Icelandic people which system best provides for the first need of Iceland, which is to earn its livelihood.

We must meet this basic economic challenge from the Communist bloc or we shall lose not only military bases but bits of the free world itself to devouring dictatorship. In the case of Iceland, we shall lose the spot where freedom under law first lifted its head in this millennium. Iceland's Thingvellir—the place where the first Parliament assembled in 930—is the political Mecca of western civilization.

Whichever alternative is followed, the example of Iceland makes clear that final decision in the matter of trade restriction should not be left in hands too close to the power of any industry, whose vision may be limited by and to the outlook of that industry, but should be in the hands of the authority which is responsible for our protection from war and the preservation of our freedom; namely, the President. In a smaller zone of interest, the right of eminent domain is reserved to the representatives of all the people, their need taking precedence over individual property rights, for the building, say, of a public road, providing remuneration to the individual who suffers. Equal recognition should be given to a principle of eminent domain over individual industries when the security of all the Nation is at stake; with remuneration of the industry and the employees who suffer. It is important to contrast the amount of money involved in a visible subsidy and the immense national need for a dependable base for security.

Keenly realizing what is happening to our vital defenses in other parts of the world, because I know clearly what is happening in Iceland, I plead that Congress extend to the executive branch, for 5 years or indefinitely, the power and the responsibility of final judgment in matters of reciprocal trade; so that we may build, in addition to strong military bases, sound and secure defenses on the economic and political and psychological fronts—not only for ourselves but for this thing called freedom, which so many have suffered and died to give us, which is so largely entrusted to us now.

The overriding issue on which decision must be based is whether government of the people, by the people, and for the people is to survive or to go down before a system of government by murder.

UNIVERSITY OF ICELAND,
Reykjavik, January 20, 1958.

Mr. WALDEN MOORE,
Project Director, Declaration of Atlantic Unity,
New York, N. Y.

DEAR MR. WALDEN MOORE: I have received your letter of January 9, in which you inquire about my opinion regarding Mr. Horsteinn Pálsson's article in New York Times, January 7.

There is no reason to doubt that the figures cited about Iceland foreign trade and national economy are correct. In broad outline, the situation as described corresponds to facts—and these facts are not very palatable.

There has been a steady and universal progress in Iceland since the separation from Denmark in 1918. At the turn of the century, everything remained to be done. When we founded the Republic in 1944 we shouldered a responsibility of an independent, although small, republic. But in later (especially the postwar) years, we have spent a lot of money. But the money which we obtained through extraneous circumstances was almost entirely spent very wisely: in electrification, renewal of the fishing fleet, new machinery for agriculture, a fertilizer factory, a cement factory, etc.

The increasing trade with Soviet Russia and its satellites has been of serious concern to us. The great majority of the Icelanders is full of admiration for and gratitude to the United States. (President Roosevelt was first to agree to the formation of the Republic in 1944, and was represented at the ceremony by a special ambassador—without his support the final step in the struggle for independence might have been a more difficult one.) It has been my opinion, as that of many other Icelanders, that the United States-Icelandic trade is quite insignificant to America. If Iceland has sold fish and fishery products to the United States in 1957 for 100 million kronur and bought American goods for 180 million kronur, whereas the Soviet-Icelandic trade had in the same year a turnover of 260 million to 270 million kronur—would it not be possible and wise to exert some influence in order to reverse this proportion in favor of United States-Icelandic trade?

It must be borne in mind that, although the number of Communists has decreased in later years, they have now scored a greater triumph than any time before by placing 2 of their men in Cabinet posts (out of 6 Cabinet ministers).

The aim of the Icelandic Communists is the same as that of Communists all over the world. They strive to create a Soviet Iceland, dependent on Moscow. They also receive generous support from Russia for this purpose. In my personal opinion, the Communist Party should be banned, but that is not feasible. On the other hand, there is no better way to check their influence than to increase steadily the trade between the United States and Iceland, and to make their strife as difficult as possible for them. This is the aim of the Icelandic Independence Party. In the national economy of Iceland, the strike power is the most dangerous factor. This power has been wielded politically to great damage to the country from time to time, especially in 1955. It might be expected that, if the Independence Party came into power, the Communists would again wield that terrible weapon. If an agreement cannot be reached about a tribunal in wage disputes among the responsible parties, it is our hope that the development will be similar here as in other Scandinavian countries: toward general wage agreements for 2 to 3 years at a time.

With my kindest personal greetings,

Yours sincerely,

ALEXANDER JÓHANNESSON.

[New York Times, January 7, 1958]

ICELAND'S TRADE DRIFTS TO SOVIET AS HER TRADE WITH UNITED STATES DROPS

By Hersteinn Palsson

REYKJAVIK, ICELAND.—Iceland's foreign commerce in 1957 was characterized by the steady increase in trade with Eastern Europe, primarily with the Soviet Union, and the rapid decline in trade with the United States.

Since 1955 the Russians have increased their purchases of Icelandic products from 156,400,000 Icelandic kronur (IKr 16,28 equal $1) to 203 million in 1956, and almost 220 million in 1957. This is an increase of 40 percent since 1955.

During the same period imports from the Soviet Union have jumped from 172,700,000 in 1955, to 240,700,000 in 1956 and about 260 million in 1957. This means an increase of more than 50 percent and it is also to be noted, trade between the two countries would probably have been even greater if Iceland had been able to deliver more herring in 1957 than she actually did. The summer season failed to a large extent and the fall season failed completely.

Trade with other countries behind the Iron Curtain has also been on the rise, especially with Eastern Germany, which has doubled its share.

While Eastern European countries, have been increasing their trade with Iceland, through agreements calling for additional exchange of goods, the United States have been on the defensive. In 1955 Iceland bought United States goods worth IKr 290 million, 246,600,000 worth in 1956, and about 180 million worth in the last year. This means a decrease of almost 40 percent in the 3 years.

At the same time United States purchases in Iceland were worth 98,800,000 in 1955, rose to 127,600,000 in 1956, but fell again to about 100 million in 1957.

UNITED STATES OUSTED BY SOVIET

Thus the United States, which for years was Iceland's best buyer and supplier, has been relegated to second place in both categories by the Soviet Union. This is both caused by the increased purchases of the Soviet and steadily diminishing income from United States defense installations and construction in the Keflavik area and other parts of the country. Iceland for some years has had to contend with annual trade deficits running into hundreds of millions annually. In 1955, when the total exports amounted to almost IKr850 million, the deficit was no less than 415 million, and in 1956 amounted to 440 million, when the exports jumped to 1,030 million. The expected deficit in 1957 was around 400 million, with exports just off the billion mark.

From 1951 until 1955 the deficit was offset by the income from the United States forces and their constructions, but these dollar earnings have been drying up. Nothing indicates that they may increase in the near future. This has emphasized the need for foreign loans, and some were obtained last year in the United States. Since they were already earmarked for various construction purposes, they will only satisfy the currency hunger temporarily. The Government is, therefore, still looking for new ways to obtain loans.

DROP IN FISHING CATCH

Iceland's economic difficulties have also been aggravated by the decreasing catches of the fishing fleet. The trawlers have not had such small catches during the last 10 to 15 years, and although last winter season was very favorable to the motorboats because the weather was exceptionally good, their catches continued a downward curve. Only an increased number of boats kept the total catch up. This means that the increased subsidies needed last year are now insufficient, and fishing vessel owners have told the Government that if the subsidies are not raised as of January, the vessels will be kept off the fishing banks.

To illustrate the big role these subsidies play in the Icelandic fishing industry which supplies the nation with 95 percent of its exports, it suffices to mention that the big, modern trawlers obtain the equivalent of more than $300 every operating day.

These ominous trends in Iceland's economy—smaller catches, dwindling dollar earnings, higher prices, increased difficulties in getting needed income for the treasury, unchanged trade deficit with lessening chances of closing the gap, demands for mounting subsidies for the fisheries—evoke the question that many fear to face: Are circumstances and mounting difficulties going to force Iceland into devaluation? And then, again; is devaluation going to be any better as a solution now than before, if it is going to be followed by a wave of strikes as formerly?

Icelanders face the future with misgivings, both in the economic and political field. Part of the Government thinks Iceland's difficulties can be solved by closer ties with the Soviet bloc. Many also think that the Western Powers are letting Iceland down, letting her slip into the Soviet orbit.

WORTHINGTON CORP.,
Harrison, N. J., July 1, 1958.

HON. HARRY FLOOD BYRD,
Chairman, Committee on Finance,
Senate Office Building, Washington, D. C.

SIR: I wish to support strongly the trade agreements extension bill of 1958, as passed by the House.

My company has a substantial stake in foreign trade. Our international business, which dates back more than 100 years, has been as instrumental to the growth of our domestic operations as to the development of basic industries overseas. We provide essential equipment for irrigation, for power development, and to public utilities as well as to the petrochemical industry. We are also suppliers to the mining, sugar, and petroleum industries, for which we in United States are important customers.

We have also found that the development of local manufacture abroad has had a positive effect on the sales of equipment manufactured in and exported from the United States. To cite but 1 example, our associated company in Italy's volume has grown from $200,000 in 1947 to more than $4 million in 1957. In the same period exports of products from our plants in the United States to Italy have increased from $1,000 to slightly more than $2 million.

It is my profound conviction that the expansion of foreign trade is one of the prime requirements for the continued growth of our economy and the economy of the free world. It is equally my conviction that cooperation with our friends and allies in the field of trade is essential to our mutual security and to our unity.

In doing business abroad, we have sent our people overseas and we have brought foreign personnel to the United States. Not only have we taught them how to make and sell a good product; over the years we have developed a mutual confidence which has grown in a spirit of free exchange within free economic institutions. If we do not continue the policies of the reciprocal trade agreements, the consequences to foreign trade and to international relations are going to be adverse to the interest of the United States.

The trade agreements program, if this bill would continue, is of course only a partial response to this challenge. While it is partial, it is nevertheless essential and, in fact, were the Congress to decide to conclude this program or to continue it in a manner devoid of meaning, it would mark the beginning of what would ultimately become a total defeat of our kind of economic system in most of the countries in the world.

These are strong words, but I have no doubt the committee has heard them before. The trade agreements program throughout its 24 years of history has represented the spirit of free competition, upon which our own economy is based in our trade relations with other countries. Since the war it has made possible the world multilateral system of trade which has been so laboriously built upon the bilateral system which was the direct consequence of that war. To turn back the clock now, in the face of the most formidable political and economic challenges we have ever known, would have the effect of a renunciation of our role as leader of the free world.

There can be little doubt that this is true. Every country, economically developed or underdeveloped, would of necessity begin a reappraisal and a reexamination of its prospects for satisfying its needs, in the light of a new United States trade policy. Such an action on the part of the United States could only be interpreted everywhere as a fundamental reversal of trade policy; and it would be recognized that henceforth the primary concern of the United States in the field of international trade would be the protection of the domestic industry.

It would be recognized that we had decided to forego the advantages of growth in our export trade and had granted priority to the preservation of those domestic industries which were no longer able to compete in the world of 1958. The consequences for our system of military alliances and for our arrangements for common security are quite apparent and could hardly be overemphasized.

The bill passed by the House seems to me to be a sufficient instrument for continuing the reciprocal trade program in an adequate fashion. Many of us who are engaged in international trade would have preferred a more liberal bill—one which did not contain additional amendments of a protective nature, such as the provision to permit the increase of tariffs to 50 percent above the 1934 rates. On the other hand, the bill contains the basic elements which are necessary to continue this program: (1) sufficient duration in time; (2) reasonable tariff-reducing authority; (3) full discretion in the hands of the President for ultimate decision in individual cases. It should be stressed that each of these elements is a prime requisite for an adequate bill.

Any further amendments designed to limit their effectiveness or to reduce the scope of their operation would render the bill almost hopelessly inadequate for our needs. A 5-year period of time is essential for this extension, even though the Congress has never before passed a bill of more than 3 years' duration.

As the committee undoubtedly knows, the European economic community will, over the next 5 years, reduce its internal tariffs by 30 percent, and it has become important for countries overseas to know that the United States has a long-range economic policy which is of mutual benefit.

We in this country are the stronghold of the economic system under which the world's greatest economic and industrial advances were achieved. It is therefore our responsibility to demonstrate that our system can meet its needs and provide opportunity for the rapid economic growth which is so avidly sought everywhere.

Failure to pass this bill will create trade walls which need not exist and will set back our international position at a time when it must be strengthened.

The present bill is sound and its passage will reassure our friends abroad that we will continue a trade policy designed to give the greatest benefits to the greatest number of people.

Very truly yours,

S. R. WILLIAMS, *Vice President.*

J. HENRY SCHRODER BANKING CORP.,
New York, N. Y., June 23, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR BYRD: In connection with H. R. 10368 to extend the authority of the President to enter into trade agreements, introduced by Congressman Wilbur D. Mills on January 30, 1958, and referred to the House Committee on Ways and Means, I should like to submit the following statement.

My colleagues and I, as representatives of an established banking institution which has been engaged in the financing of exports and imports for a number of years, wish to urge the extension of the Reciprocal Trade Agreements Act. We believe that the country as a whole has much to gain by the reciprocal lowering of the barriers to international commerce.

Since the institution of the trade-agreements program 24 years ago we have continued to register increasingly higher levels of foreign trade. In terms of employment this activity is now estimated to be the source of livelihood of some 4.5 million United States workers, or some 7 percent of the total civilian labor force.

The export market is a very important one for the products of our farmers and manufacturers. Agricultural exports, for instance, represent approximately 11 percent of the value of farm output. Exports of certain manufactured products account for well over 10 percent of the sales of their respective industries.

In the long run we cannot maintain our high level of exports unless we enable foreign countries to make payment by selling us their products in return. Our imports provide those dollars. Imports serve also to supplement our domestic resources. We are virtually dependent upon foreign sources for our supply of certain foodstuffs and raw materials. For other items, of which many are in an advanced stage of manufacture, our requirements are greater than the domestic availability because of increasing production, population growth, and advances in our standard of living.

A further consideration in extending the Trade Agreements Act is its importance to this country's foreign policy and our efforts to strengthen the less developed countries. Communist Russia is endeavoring to make headway in its relations with other free nations by offers of trade pacts. The United States would put itself in an inconsistent position if, while pledging cooperation and aid, it at the same time discontinued the program for facilitating trade. Such action would quickly be used by Soviet propagandists to question our good faith.

We strongly urge, therefore, the 5-year extension of the Reciprocal Trade Agreements Act requested by President Eisenhower, with the incorporation of suitable measures for flexibility in negotiating tariff adjustments and the elimination of any restrictive provisions which would unduly hamper an expanded flow of trade.

Yours very truly,

G. F. BEAL, *President.*

STATEMENT SUPPORTING RECIPROCAL TRADE PROGRAM SUBMITTED BY JOHN L. SIMPSON, CHAIRMAN OF FINANCE COMMITTEE, BECHTEL CORP.

Mr. Chairman and members of the Finance Committee of the Senate, my name is John L. Simpson. I am chairman of the finance committee of Bechtel Corp., engineers-constructors, with headquarters in San Francisco; also a director of J. Henry Schroder Banking Corp., New York; also president of the World Affairs Council of Northern California. The following statement is made in my individual capacity and is an expression of my personal views.

The administration's proposals for the extension of the reciprocal trade program, as amended and passed by the House of Representatives, should in my opinion be enacted into law. Such legislation would encourage business enterprise both at home and abroad and would stimulate trade and foreign private investment. It would also be a gesture of leadership in the free world on the part of the United States.

My observations in the fields of engineering construction, international finance, and foreign affairs have substantiated the importance of multilateral trade. The groundwork for capital investment and productive growth is laid by the exchange of goods and services. Our own country cannot prosper as an island of self-containment surrounded by economic barriers.

The United States is today the world's principal trading nation and a creditor on international account. For nearly two decades we have supplied vast quantities of raw materials and finished products to our allies and friends, financed in considerable part by means of loans and grants. Such a condition is unsound and the recipient countries themselves are desirous of paying their own way and standing on their own feet. In order to earn dollars they must trade with us. If we Americans wish to maintain and expand international markets for our products we must purchase foreign goods and services in fair and reasonable amounts.

Viewed strictly from the standpoint of domestic interests, the stimulation of exports through the creation of dollar earnings in the hands of foreigners plays an important economic role. It is well known that as to many industries and many companies the export fraction supports the profit margin and the stability of operations. The result is favorable to labor, business, and investment.

Effects on foreign countries of large and expanding trade volume are equally important. For instance, the reestablishment of convertibility of foreign currencies, with all its benefits, is obviously dependent upon the ability of the countries in question to establish national earning power and build up their currency reserves.

Politically the implications are as great as if not greater than those in the economic field. The struggle with communism has its material as well as its ideological aspects. Our friends abroad are opposed to communism just as we are. However, they must earn their bread and in many cases that means finding markets for their products. If we do not encourage them to look in our direction there will be inevitable tendencies to develop relations with the Communist countries. International trade and commerce are foundation stones for peace and prosperity.

Fortunately the great changes which have occurred in the world and these present-day necessities have been recognized by our legislators during recent years. The reciprocal trade agreements which have been negotiated from time to time have indicated to our friends that, regardless of international politics, our Government has a consistent long-range tariff and trade policy. Extension of the trade-agreements program will confirm this. There is no question raised here of a radical move toward free trade but rather a reaffirmation of present procedures which have worked well.

The proposed legislation is designed to strengthen the hands of our negotiators in their dealings with foreign countries and will encourage representatives of such countries to make just and equitable concessions in return for those received from the United States. For it is essential to the legislation and to its proper application that there be mutuality. It is the duty of our responsible officials to insist on fair terms and the principle of give and take.

Furthermore, each American industry affected by trade negotiations should have an opportunity to present its own case. The terms of the legislation which provide for hearings and for protection of American industries against abuses from abroad, and the restrictions which guard against a too far-reaching lowering of tariffs, are important. Also, capable of efficient domestic producers should be able to apply for and be heard regarding possible increases to offset discriminatory advantages enjoyed by foreign competitors. In supporting the proposed legislation I do so with the conviction that the Congress and the administration will carefully observe those safeguards.

At this moment the free world looks to the United States. It recognizes our position and power and it desires to raise living standards generally toward the levels which our people enjoy. To sum up, I believe the trade agreements program will give reassurance as to the firmness and permanence of American trade policies and will challenge creeping socialism and communism.

NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE UNITED STATES OF AMERICA,
GENERAL DEPARTMENT OF UNITED CHURCH WOMEN,
New York, June 23, 1958.

Hon. HARRY FLOOD BYRD,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR BYRD: I note that hearings are now being held regarding the renewal of the Reciprocal Trade Agreements Act. United Church Women testified for the renewal of the Reciprocal Trade Agreements Act before the House Foreign Affairs Committee on March 3, and spent considerable time answering questions which are found in the record.

Since considerable interest in the renewal of the Reciprocal Trade Agreements Act was evidenced at our annual meeting of the board of managers held in Oklahoma City in April of this year, a resolution was passed and adopted in which we asked that greater efforts be made for expanded programs of reciprocal trade, at which time we endorsed our previous stands for the renewal of Reciprocal Trade Agreements Act without crippling amendments.

Our entire study this year has been under the theme of Exchange: Goods, Ideas, and People; has emphasized a study of world trade. Material has been prepared, copy of one of the leaflets is enclosed, which is being used by our 2,300 local councils and it has been a subject for discussion at our State council meetings held throughout the country this spring. World trade will also be discussed at training institutes held this summer.

I have just returned from the institute held for the 10 Southwest States at Mount Sequoyah, Ark., and even though that is an area that is being affected by imports, I found solid support among our church groups for the renewal of the Reciprocal Trade Agreements Act as a means of improving the trade for all sections of the country, which in turn would profit their area.

We certainly hope that the Reciprocal Trade Agreements Act will be renewed without crippling amendments as an essential step in building a solid framework for an expanded world economy.

Sincerely,

Mrs. ESTHER W. HYMER,
Director, Christian World Relations.

STATEMENT CONCERNING THE RENEWAL OF THE RECIPROCAL TRADE AGREEMENTS ACT BY ESTHER W. HYMER, DIRECTOR, CHRISTIAN WORLD RELATIONS, GENERAL DEPARTMENT OF UNITED CHURCH WOMEN, NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE UNITED STATES OF AMERICA, NEW YORK, N. Y.

United Church Women is made up of women of the cooperating denominations in the National Council of Churches, organized in 2,200 State and local councils in the 48 States, Washington, D. C., Hawaii, and Alaska.

This statement is in keeping with actions of the constituent bodies of United Church Women and of the National Council of Churches of which we are a part, but of course does not pretend to present opinion of each of the individual members. We support statement made to your committee on June 23 by Dr. Roy Blough in behalf of the National Council of Churches.

A statement is presented because it was decided at the assembly of United Church Women in 1950, and later by the board of managers, that Christian women in the exercise of their great American prerogative had an obligation to enter into the decisions of government in behalf of justice, charity, and the dignity of man.

It was stated at that time that church women are deeply conscious of their responsibility to be constantly informed of the decisions made or in the making by various governmental bodies and of making their concerns and convictions known to those whose responsibility it was to formulate those decisions.

They recognized that this responsibility demanded the best they can give in intelligence, humility, and the willingness to see the problems that confront our lawmakers from the point of view of the greatest good to the brotherhood of all men, rather than that of provincial or merely personal self-interest.

With your permission I wish to file in your records a complete statement, including our most recent policy declarations, and shall emphasize here briefly some of the more important points of our position.

Over a period of years the churches have urged that the United States should support programs to expand world trade and extend aid in order to strengthen the foundations of political stability and freedom, in an effort to secure justice for all peoples and peace in the world. This concern was expressed a decade ago at the biennial national assembly held in 1948, when the following statement was adopted:

"The United Council of Church Women reaffirms support of reciprocal trade agreements and urge their renewal as a necessary part of full cooperation with the International Trade Organization and all other means of establishing world economic health."

The assembly also approved the United States joining the International Trade Organization which at that time was being considered. Concern for trade was included in a statement adopted at the 1950 biennial national assembly on a positive program for peace, at which time belief that peace is possible and achievable in our day was reaffirmed. The following statement was adopted:

"We believe that this is God's world and that we and all of his children are free to choose the path of obedience to his will, the way of justice and of love, which alone can accomplish His purpose for mankind."

Whereas a just and lasting peace depends upon positive, constructive ideas and actions, a list of objectives was agreed upon, one of which dealt with expansion of trade. It stated: "We urge unflagging support by our Government of efforts to expand trade with other nations."

In 1952 our board of managers reaffirmed their position and adopted the further statement:

"Because world economic health depends upon healthy trade relations between nations, United Church Women have continued to support the Reciprocal Trade Agreements Act and to urge its renewal."

When our administrative committee met in October 1957, they adopted the resolution which follows:

"Recognizing the need for increased trade in order to speed economic development of underdeveloped areas and assist emerging people in the attainment of economic independence;

"Remembering that United Church Women has reaffirmed repeatedly their support for the renewal of the Reciprocal Trade Agreements and the establishment of an International Trade Organization to regulate and promote increased trade between nations;

"In view of the fact that the World Community Day theme for 1958 will be 'Exchange: Goods, Ideas, and People' which is related to world trade:

"*Be it resolved*, That the executive committee of United Church Women ask State and local councils that there be continued study of the need for expanding world trade and that there be support for the renewal of the Reciprocal Trade Agreement and approval for the proposed Organization for Trade Cooperation in the next session of Congress."

Our most recent action was taken by our administrative committee, made up of elected representatives from the cooperating denominations and State councils, at its meeting in New York on February 7, 1958. The committee commended the President for his leadership for renewal of the Reciprocal Trade Agreements Act for a 5-year period, without crippling amendments. They also expressed profound concern regarding the need to reduce barriers to world trade.

We speak at this time for the following reasons:

I. Our statements and resolutions are based on study of the overall problem and some general understanding of the questions involved. Intensive study of the question of expanded world trade began with the recommendations of the Christian World Relations Committee made in 1953, that churchwomen should be better informed than they are concerning the importance of the economic factors in the structure of lasting peace.

The Christian world relations committee of United Church Women believes that the following elements of United States foreign-trade policy would further world peace:

1. Elimination of discriminatory trade regulations;
2. Reduction of tariff barriers;
3. Renewal of reciprocal trade agreements with reconsideration of "peril" and escape clauses for possible deletion or adjustment;
4. Simplification of customs regulations.

We therefore urge that churchwomen first study the measures which will promote these aims, then inform their Congressmen of their opinion. World trade has since been incorporated each year in the study program.

In 1957 the study of trade was related particularly to emerging people and improvement of conditions in the less developed areas through economic development. It was found that without markets for their raw materials they could not earn money to buy machines and finished goods to speed development.

In 1958 the study has centered on world trade under the theme: "Exchange: Goods, ideas, people." We have issued a special study guide and program plans, and distributed the pamphlet, Together We Are Strong, published by the Department of State, so that the question of world trade can be studied in every possible local community.

II. Support of measures by which exchange of goods may be increased is based on Christian principles: This continuing support of churchwomen of the United States for measures to reduce trade barriers and increase exchange of goods between nations is in keeping with the basic Christian principles which we profess. While trade is a process, it affects the lives of millions of people in our own and in other countries. Therefore it is a moral question that should be guided by justice to all concerned. We have consistently expressed and demonstrated our concern for the well-being of people in the United States, and wherever there was distress in all parts of the world.

Since the beginning of the 19th century we have had a special concern for those in the less developed areas. We have established channels of friendship and service because we believe that life is one piece, that all humanity is bound up together, and that neither segments of life, nor branches of the human family, can be divided off for separate treatment. Therefore, as American Christians, we are concerned with the whole fabric of world society which conditions the lives of our members, knowing fully that our own well-being and even security in this century will ultimately be influenced by conditions affecting members of the human family in other areas of the world. We must continue to make possible the increasing exchange of goods so that we and they can both prosper. Christian faith has taught us that God's order is one of material and spiritual interdependence.

Political or economic isolation is impossible. Therefore we as Christian citizens have a moral responsibility to help shape a foreign policy which makes it possible as a nation to use our wealth and our knowledge in helping to meet the material needs of all people.

III. Our support stems from the belief that trade is related to aid and to world peace: The United States has been entrusted with great wealth. It has tremendous influence in the world through the sheer weight of its economic power. How this power is used in this critical period of history may determine the future destiny of free people and independent nations, especially those in less developed areas, some of which are receiving technical assistance and aid for economic development. The trade policy now under consideration to guide economic relations with other nations will affect the well-being of our own people and especially that of millions living in far distant places.

If our concern leads us to give aid for economic development, then we must be ready to find markets for the goods which new countries have to sell. Procedures as laid down in the Reciprocal Trade Agreements Act make possible orderly ar-arrangements whereby this exchange can be facilitated.

IV. The question is of international concern: Expansion of international trade was thoroughly discussed in Geneva last summer by representatives of 18 countries, members of the UN Economic and Social Council. The report was considered by the representatives of 82 nations at the Twelfth Session of the General Assembly. After considerable discussion it was agreed that further expansion of international trade is necessary to the full employment and the improvement of living standards of all countries, and especially to the economic development of the less developed countries; and that, in order to achieve such an objective, greater efforts should be made to promote free and fair international competition by eliminating or lowering unduly high tariffs and other unjustifiable barriers to international trade.

Governments were requested to continue their efforts to reduce existing barriers to international trade in a mutually satisfactory manner for the purpose of expanding such trade at the fastest possible rate.

Since United Church Women have given full support to the United Nations, it feels compelled to ask you to consider this request from the United Nations General Assembly to expand trade through the renewal of the Reciprocal Trade Agreements Act.

Because I may be one of the few to testify who were here in 1934 when this measure was first proposed and have followed or participated in its renewal since that time, I would like to add a personal conclusion, since I have known five Members of Congress both for and against this measure who have been from both political parties and all parts of the country. A set pattern of support has been lacking. Each time renewal has been considered, there has been a welter of conflicting local, sectional, or specific industry special pleadings. It is true that certain industries, specific areas, and some individual towns have been and will be adversely affected, sometimes temporarily. We recognize that there is an obligation to find a way to equalize the burden so that a few will not carry an unjust share of this burden resulting from reduced tariffs on specific items.

All parts of the country and every business interest has a stake in the present struggle for survival and we know that trade between nations is the lifeblood of a free, prospering economy essential to any foundation for peace. The renewal of this act should be considered on the basis of whether it will assist the freer movement of goods, with an overall expansion of world trade, and whether it is clearly in the national interest of the whole country.

I will conclude by bringing you a statement, adopted at our 1950 assembly in Cincinnati, which has continued to guide church women in their work.

"Whereas we recognize that the difficulties in the making of our foreign policy are extreme, and the importance of right decisions is profound; Therefore be it

"*Resolved*, That we urge our statesmen to judge foreign-policy issues by moral principles, with humility, mature thinking, and a concern for the needs and aspirations of all poeple: further, that they use boldness, vision and consistency in the solution of the problems facing them, thinking of their task in terms of unified global policy."

The resolution was concluded by these significant words:

"*Resolved*, That we inform those responsible for guiding United States foreign policy that they have our constant prayers for God's leading presence at all times."

Thank you for this privilege.

STATEMENT ON THE RECIPROCAL TRADE AGREEMENTS ACT EXTENSION, BY THOMAS J. WATSON, JR., NEW YORK, N. Y.

I believe that your committee should approve H. R. 12591 extending the Reciprocal Trade Agreements Act for an additional 5 years.

Mutual tariff reductions will make a wider variety of goods available to United States consumers at the best possible value, will provide additional dollars in foreign countries and expand domestic export and import industries.

The increase of world trade will contribute to the growth of all countries, particularly the less developed, who will be better able to meet the economic needs of their peoples by fuller use of skills and resources.

Stable international economic relations and the promotion of world peace depend on the United States taking constructive steps toward unimpeded world trade.

STATEMENT BY THE NATIONAL COUNCIL OF JEWISH WOMEN IN SUPPORT OF THE TRADE AGREEMENTS BILL

The National Council of Jewish Women is a membership organization of 110,000 in 240 sections throughout the country.

Our business is not in the field of industry or agriculture but in the field of supporting through well-informed citizenship those policies and programs of our Government which will further the goals of peace and prosperity for the United States.

It is in the light of these twin national aims that we have come to believe through our study of available information and our observation of the results of foreign economic policy, that the American economy and the national security and the well-being are in the long-run furthered most by an expanded trade agreements program.

There is past history to be studied on both sides of the complex questions of trade and tariff policy; the United States has had its experience of high tariffs, quotas, and the other factors of a restricted trade policy. We have also in these last few decades seen the results of loosening the barriers to trade throughout the world, and most particularly with the western European nations. We of the National Council of Jewish Women believe, as a result of consistent, serious study of the results of both policies, that the policy of lowering tariffs and eliminating barriers to trade has proved itself in the best interest of the United States.

There is particular point to refer to our western European allies now because they are embarked on a great new development in broadening the possibilities of their trade through the Common Market developments. If these plans are successful they should prove of economic benefit to us too, particularly if the United States complements them through a trade agreements program which assures the continuity of 5 years as passed by the House.

We in council recognize the distress suffered by the owners and workers in certain American industries when those industries suffer loss of their markets. We recognize that this situation is aggravated when those industries face competition from products imported from abroad. We do not believe, however, that the American economy will benefit from the consequent imposition of tariffs and other forms of economic exclusion; quite the contrary, the results will harm all Americans. We do believe that relief measures including relocation, retraining and subsidies should be offered distressed industries.

Therefore, may we urge the members of your committee, to bend all their efforts to the support and passage of a bill for the 5-year extension of the trade agreements program such as was passed by the House of Representatives.

STATEMENT OF H. B. SNYDER, EDITOR-PUBLISHER OF GARY POST-TRIBUNE, GARY, IND.

We in the Midwest are looking eagerly ahead to completion of the St. Lawrence seaway which will make ocean ports of our lake harbors and bring the world's freighters to their wharves.

But our hopes will not be realized, and the millions being spent on the seaway will largely be wasted, if our national trade policy is not favorable to an expanding international commerce. We believe it is greatly in our own national interest that the Reciprocal Trade Act be extended by Congress as proposed by President Eisenhower.

The program is not a one-way program; it is a reciprocal program. It will strengthen our economy, not weaken it, just as it will strengthen the economy of the nations with which the trade compacts are made. If we increase their ability to sell to us, we increase their ability to buy from us. If we return to a restrictive tariff policy, the inevitable result must be to restrict the number of ocean freighters coming through the St. Lawrence seaway to use the improved facilities now being installed in the harbors of the Great Lakes.

The day is past when we could say that other nations of the world must buy from us. Russia is making a greatly increased bid for their business. If we lose their business to Russia, we lose much more than dollars. We are likely to lose allies; we face the problem that now friendly nations will be brought within the sphere of influence of the Soviet Union.

We favor increased Federal spending to meet the Russian challenge. We support an increased budget for the Defense Department and an increase in the appropriations for foreign aid. For the same reasons, we support an extension of the reciprocal trade program—but with much greater pleasure because we recognize that for every dollar of aid it gives to the economy of the free nations with whom we deal, there is a dollar of aid for our own economy. When we can make a profit by helping the other fellow, we ought to be good enough Yankee traders to do so with alacrity.

Congress has extended the reciprocal trade act for from 1- to 3-year periods since it first was passed in 1934. The President has proposed that the extension to be voted now be for 5 years, and we wish to particularly support House bill 12591 which provides for that extension.

An extension of the act for that period should have a greatly beneficial effect throughout the world. It would tell the other nations of the world that they could depend on us and could make their long-range plans accordingly. It would give them the assurance they need to resist the blandishments of the Soviet Union. It would put money in our own pockets; it would increase our ability to pay for our expanded defense program.

STANDARD OIL CO.,
New York, N. Y., June 27, 1958.

Hon. HARRY F. BYRD,
Chairman, Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: The extension of the Reciprocal Trade Agreements Act now before your committee is of great importance to our country. I should like to express to you and to your committee my strong conviction that the bill as passed by the House should be enacted into law without crippling amendments. The issues have been presented to committee hearings several times. I have, in recent years, set forth for the record my own views and those of my company on the subject. I send you this letter at this time to amplify those views in certain respects by a few points of emphasis, in the hope that my expression will be helpful to the Senate Finance Committee in its consideration of the proposed extension of the Reciprocal Trade Agreements Act.

On February 18, 1958, my attitude on the matter was put before the House Ways and Means Committee in a letter reading as follows:

"In connection with the hearings before your committee on the proposed renewal of the reciprocal trade agreements program, I should like to take this means of expressing my opinion that this program should be extended and strengthened. It should be extended for a sufficient period of time to engender confidence in our friends and allies of our continuing desire for close and friendly relationships with them.

"It must be abundantly clear to us that the United States cannot live alone in today's world. We need the important stimulus to our domestic economy of a large and expanding export trade. We need, in increasing degree, important raw materials from foreign areas. And, most of all, we need strong friends and allies in many parts of the world to join with us and support us in the defense and preservation of freedom and human rights. The United States cannot fight and win this battle alone. Loans and grants to our friends and allies cannot take the place of affording them the opportunity to grow stronger and closer to us through the development of normal international trade. From a financial standpoint the latter course is more efficient and cheaper for the American taxpayer. From a psychological standpoint this course lends a dignity, a confidence and a friendliness to our international relationships which loans and grants can never achieve.

"We have a national interest in seeing to it that other countries have the opportunity to earn the dollars with which to make payments to our exporters and investors. In connection with trade alone, United States exports including military aid shipments have averaged about $17 billion a year over the last 3 years. This is almost $4 billion a year more than our imports in 1955 and 1956, and in 1957 the export surplus may have been $6 billion. This, of course, is not the entire story in our international payments but it serves to emphasize the fact that if our exports are to continue at high levels and to enjoy normal growth, and if we are not to finance such exports indefinitely through economic aid programs, we must continue on our side to make it possible for our foreign customers also to have growing opportunities to sell to us on a competitive basis and without excessive tariff and trade barriers.

"An important additional fact that should not be overlooked is that it is estimated that 4 to 5 million Americans owe their jobs to American exports. Simply from the standpoint of numbers of individual American citizens affected by our international trade it is undoubtedly true that far fewer than this 4 to 5 million citizens may be in any way affected by our imports since such a large part of our imports are raw materials which are processed domestically.

"It is of course obvious that no one could advocate a reciprocal trade policy which would result in serious damage to our domestic economy or to the weakening of our national security. Clearly, advocacy of reciprocal trade must be based on just the reverse condition—a strengthening of our Nation's security, and the maintenance of a vigorous domestic economy. It is bound to be true that imports always tend to infringe on certain parts and phases of our domestic economy. The basic and important thing to keep always before us is whether the total effect of our reciprocal trade on our total security and economy is beneficial or harmful. This is not to say that the difficult problems sometimes presented by reciprocal trade to certain areas and certain parts of our economy should not receive the most careful and sympathetic consideration; but to wreck or abandon our reciprocal trade program in order to give relief to limited parts of our economy is unthinkable because of the extent to which it would jeopardize our national security.

"These individual problems should be considered objectively in relation to our total welfare and provided for in ways which will have minimal adverse effects on our overall reciprocal trade program and our overall domestic economy. Some readjustments in certain industries may be necessary at this time. Such readjustment periods can be smoothed out by Government help—industry by industry—on an emergency basis. It should be borne in mind, however, that many of our domestic problems related to imports are relatively temporary, and may well be alleviated by desirable readjustments in domestic industries and our country's growing need for foreign raw materials. The essential thing is to assure friendly nations both by discussion and by our actions that we intend to meet the ups and downs of growing international trade—together.

"We are convinced that the extension and improvement of our Reciprocal Trade Act is vital to the overall welfare and security of our country."

Since this letter was written I have seen nothing which seems to me to diminish or take away from the force of the arguments there presented. On the contrary, much has happened to impress upon me the urgency of the passage of this bill to cover a 5-year period. Our Nation has become aware of vigorous economic agression by the Soviet Union in important areas which we have heretofore considered comfortably within the orbit of our trade relations. Unrest has developed into open conflict in parts of the world where our relations are delicate. The leadership of the United States economically is being put to the test. The current recession makes even more important the maintenance and improvement of good trade relations with other free countries. Healthy development of international trade is one of the best ways of improving the effectiveness of the free enterprise system. The 5-year extension of the Reciprocal Trade Agreements Act will make a vital contribution to that healthy development.

I sincerely hope your committee will see fit to support this program.

Respectfully yours,

EUGENE HOLMAN.

VIEWS OF MR. HARVEY PICKER, OF PICKER X-RAY CORP.

On behalf of myself and my company I urge that the Committee on Finance approve H. R. 12591 without amendment, unless these are amendments designed to make this legislation a more effective tool for stimulating expanding world trade.

Within the last few years, having traveled through most of the countries of the world including Russia, I am convinced that the greatest threat of world conquest by the U. S. S. R. lies not so much by military as by economic means.

Any views based on Russian operation to date will badly underestimate its near future capabilities to trade with the rest of the world and provide technical assistance to go therewith. Aside from the few countries of northwestern Europe, who like the United States are bound to democracy through heredity and success, most of the countries of the world are so in need of increased living standards that they will turn to whatever country furnished them the best means for trade. Russia is about to attempt to do this.

Were we to use the Trade Agreements Act to reduce the ability of other countries of the world to trade with us, we would gain a pyrrhic victory. We might temporarily help a few United States companies, but country after country would follow the lead of Nasser and draw closer to the U. S. S. R. to the ultimate great detriment of ourselves.

Were tariffs on X-ray equipment to be reduced it might reduce the profitability of Picker X-Ray. Yet, I am convinced that we in America are clever enough to be able to compete successfully with the other countries of the world. If we are not, then our much vaunted capitalistic system is not as good as we tell the world it is.

I am convinced that Picker X-Ray and the United States are better off freely competing with the other countries of the world than we are having a very large part of the world market ultimately closed to us as China, North Korea, Czechoslovakia, Poland, etc., have been—or as the Arabian countries may well be.

Because I think it is in the enlightened long-range self-interest of our company and country, let me urge favorable action on this bill, preferably eliminating the escape clause to increase the tariff 50 percent above the 1934 level and the provision permitting Congress to override the President's decisions.

RESOLUTION BY THE NORTH ATLANTIC PORTS ASSOCIATION SUPPORTING THE EXTENSION OF THE RECIPROCAL TRADE PROGRAM, ADOPTED ON FRIDAY, OCTOBER 11, 1957

Whereas the reciprocal trade program has withstood successfully the test of almost a quarter-century's operation in promoting and stimulating international trade throughout the free world to the economic betterment of our own and friendly foreign nations; and

Whereas reciprocal trade among nations is a necessary factor for world peace and security; and

Whereas working within the framework of the reciprocal trade program, the United States has greatly increased the worldwide exchange of goods and services and expanded and protected its own markets abroad for United States products through reciprocal adjustment of tariff and trade barriers, with the result that in 1956 the total value of United States exports and imports exceeded $30 billion, and

Whereas it is an established principle of trade that nations and peoples buying from the United States must also sell to the United States if mutual benefits are to be achieved; and

Whereas the reciprocal trade program has been reenacted 10 times by the Federal Congress since its original passage in 1934 and the law has been gradually limited and weakened by restrictive provisions in recent years; and

Whereas the preservation of this beneficial and productive program is of paramount importance to the further achievement and maintenance of the continuing peace and economic security of our own and the other free nations of the world: Be it therefore

Resolved, That the North Atlantic Ports Association request the Federal Congress to authorize a 10-year renewal of the reciprocal trade program beyond June 30, 1958, and register its strong opposition to current efforts to force a retreat by the Federal Government to a tariff program which would seriously restrict foreign markets for United States trade with the consequent undermining of our national economy; be it further

Resolved, That trade, commercial, civic, economic, and cultural interests be urged to join in this effort to save and extend the reciprocal trade program, and thus preserve the keystone of our foreign-trade policy which has had the support of both great political parties for more than 2½ decades.

LEAGUE OF WOMEN VOTERS OF MONTGOMERY COUNTY,
Silver Spring, Md., June 28, 1958.

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.
(Attention of Elizabeth B. Springer.)

GENTLEMEN: In lieu of an appearance before your committee, the League of Women Voters of Montgomery County would like to go on record in favor of H. R. 12591.

Having just completed a study of world trade in relation to the United States and the various instrumentalities for handling it, our membership overwhelmingly believes that no bill more restrictive than H. R. 12591 would serve the general welfare of our people and the Nation.

If any changes are to be made in this bill, we would like to see them in the direction of freer trade. We particularly urge the retention of the 5-year feature and the final authority of the President in escape-clause cases and emphasize our concern that no crippling amendments be added.

Yours very truly,

GRETCHEN W. CASEY
Mrs. Thomas G. Casey, *President.*

OFFICE OF THE SECRETARY OF THE TREASURY,
Washington, June 30, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: Reference is made to your letter of June 13, 1958, requesting the views of this Department on H. R. 12591, to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes.

The proposed legislation would extend for a period of 5 years, that is, until the close of June 30, 1963, the authority of the President to enter into foreign trade agreements under section 350 of the Tariff Act of 1930, as amended.

This Department strongly recommends the enactment of H. R. 12591 in its present form.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

FRED C. SCRIBNER, Jr.,
Acting Secretary of the Treasury.

(Whereupon, at 5;45 p. m., the committee adjourned to reconvene at 10 a. m. Tuesday, June 24, 1958.)

TRADE AGREEMENTS ACT EXTENSION

TUESDAY, JUNE 24, 1958

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

The committee met, pursuant to recess, at 10 a. m., in room 312 Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), Kerr, Long, Anderson, Douglas, Gore, Martin, Williams, Flanders, Malone, Carlson, Bennett, and Jenner.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The meeting will come to order.

Senator KERR. Mr. Chairman, I have the pleasure this morning of presenting to the committee Mr. W. A. Delaney, Jr., of Ada, Okla., who is scheduled to appear before the committee at a later date, but who has had a business trip and a trip with his family scheduled to Europe for some weeks and leaves tomorrow, and I certainly appreciate the indulgence of the committee in letting him appear here this morning and having his statement appear in the record of July 3, the date he was scheduled to appear along with other witnesses who will testify on the oil imports.

Mr. Delaney is accompanied by Congressman John Jarman of Oklahoma, of the Fifth District.

Did you want to accompany the witness up here, Mr. Jarman?

The CHAIRMAN. Mr. Delaney and Mr. Jarman, if you would come forward, please.

Mr. JARMAN. Thank you, Senator.

The CHAIRMAN. Gentlemen, we are pleased to have you.

You may proceed, sir.

Senator KERR. I will explain to Mr. Delaney that the time of the committee would not permit the reading of his entire statement and will tell him he can summarize it and put his entire statement in the record, Mr. Chairman, if that is agreeable.

The CHAIRMAN. The procedure will be agreeable.

(Mr. Delaney's oral remarks and prepared statement appear as part of the proceedings of the hearing on July 3.)

The CHAIRMAN. The first witness is Mr. Harry S. Radcliffe.

STATEMENT OF HARRY S. RADCLIFFE, EXECUTIVE VICE PRESIDENT, NATIONAL COUNCIL OF IMPORTERS, INC.

Mr. RADCLIFFE. My name is Harry S. Radcliffe, and I am the executive vice president of the National Council of American Importers with headquarters at 45 East 17th Street, New York City.

I appear this morning in favor of the extension of the Reciprocal Trade Agreement Act and in order to give the approval of our organization to the pending bill, H. R. 12591, with some changes that we hope will make a constructive improvement in the bill.

Although the National Council of American Importers has advocated that in these critical times the program be given stability by an 11-year extension, we now strongly support the proposed 5-year extension.

We do, however, respectfully submit that in view of the anticipated developments arising from establishment of the European Common Market and the possible creation of free trade areas in Europe and other parts of the world that 5 years should be the minimum period for the extension of the act.

We also support the proposed new bargaining authority permitting the gradual reduction of tariff rates by 25 percent of the rates in effect on July 1, 1958; or, alternatively, by 2 percentage points; or, if higher than 50 percent ad valorem or its equivalent, down to that tariff level.

We oppose, however, two features now in the bill:

(1) The provisions permitting a sudden increase as a result of an escape clause case of any existing rate to a duty rate 50 percent higher than the rate which was in effect on July 1, 1934.

(2) The provision authorizing the President to establish a duty at a rate not in excess of 50 percent ad valorem on articles which are free of duty.

As to the proposal to authorize duty rates to be increased 50 percent above the July 1, 1934, rates, we wish to point out that those rates are, with few exceptions, the Hawley-Smoot traff rates of 1930.

Where a given rate was reduced by the full 50 percent authorized by the original Trade Agreements Act of 1934, and by another 50 percent authorized by the act of 1945, and by an additional 15 percent authorized by the act of 1955, the rate that will be in effect on July 1, 1958, represents 21¼ percent of the July 1, 1934 rate.

An increase from 21¼ to 150 percent of the July 1, 1934, rate means a sudden rise in the duty rate of slightly over 700 percent.

To subject any rate of duty that has been reduced by trade agreement negotiations since 1934 to an increase, as a result of an escape clause investigation, to a protective level 50 percent above the notoriously high Hawley-Smoot rates is a preposterous proposition.

Under such an intolerable situation, even a rumor in the market that a domestic industry was thinking of making an application to the Tariff Commission under the escape clause would cause importers to run for cover.

I can assure this committee that the adoption of such a drastic provision will cause so much uncertainty among importers that it stands to reason that our import volume will be adversely affected.

When that happens, our export trade volume is bound to suffer to a corresponding degree at the very time when the contribution that both exports and imports are making to domestic employment is so important to our economy.

We, therefore, wish to suggest that the escape clause be completely rewritten to restore its original purpose, that is, to permit the last trade agreement concession made to be withdrawn in whole or in part; that the section specifically provide in no case shall the duty rates existing on July 1, 1958, be increased by more than 50 percent above such rates; and that the authority to impose import quotas be deleted from this section.

The proposal to authorize the President to impose a duty as high as 50 percent ad valorem on articles on the free list is alarming and should, we respectfully submit, be rejected by your committee. We believe that an increase from no duty at all to a rate as high as 50 percent ad valorem or its equivalent, is entirely too drastic.

If articles are to be transferred from the free list to the dutiable list, we urge that the change be limited to a rate of duty no higher than the rate of duty on a similar dutiable article. Classification by the similitude rule in paragraph 1559 of the Tariff Act of 1930 should be required.

To give one illustration to make our point clear: Barbed wire is now on the free list. If the President should ever impose a duty on this article under the proposed provision, it is our suggestion that the rate should not exceed the duty rate on fencing wire, which is one-fourth cent per pound, equivalent at the present time to about 4 percent ad valorem.

Since the Trade Agreements Act was enacted in 1934, there has always been a prohibition against the transfer of goods between the dutiable and free list. If, as now proposed, authority is to be included in the act to impose a duty on duty-free articles, we submit that, in all fairness, corresponding authority should be written into the law to remove the duty on certain imported articles.

Specifically, we propose that the Congress direct the Tariff Commission to prepare at once a preliminary list of articles which it finds are not produced at all, or which are commercially produced only in insignificant quantities, in the United States.

Under our proposal, the preliminary list should be made public by the Tariff Commission, and prompt hearing should be called to permit any interested party to suggest additions to or deletions from such preliminary list.

On the basis of these hearings, we suggest that the Commission be directed to submit a final list of articles that it finds should be duty free to the Congress for consideration.

We then respectfully suggest that the Congress, after making any changes in the list deemed necessary, should authorize the President to transfer any article on such approved final list to the free list of the Tariff Act as a concession in future trade agreement negotiations.

We should like to offer some specific suggestions for changes in the bill which we believe are necessary for clarity and for the more effective operation of the act:

1. The bill adds new wording to section 7 (a) of the Extension Act of 1951, to permit "organizations or groups of employees" to file applications for escape clause investigations. We assume the word "organizations" was meant to refer to trade unions.

We wish to point out, however, that the word "organization" standing alone could mean any organization, even our own.

Although we would hardly be expected to request escape clause investigations, some other organizations that I can think of might do so. We, therefore, suggest that the language be amended to read "trade unions, locals, or other groups of employees."

2. We strongly recommend that the escape clause provisions be amended to give the Tariff Commission discretion to institute formal investigations upon applications by interested parties. We, therefore, further suggest that the words in section 7 (a) of the act of 1951 reading "upon application of any interested party" be changed to read "when in the judgment of the Commission there is a good and sufficient reason therefor upon application of any interested party."

Our suggested language, by the way, is taken from section 336 of the Tariff Act of 1930 relating to cost of production investigations by the Commission.

In this connection, we wish to point out that when the Tariff Commission receives an application from an interested party under section 336 or 337, it always conducts a thorough preliminary investigation to determine whether or not a formal investigation is required.

That was also the practice of the Commission in escape clause cases prior to 1951.

It is my impression that this point was not generally understood when the Congress inserted the escape clause provisions in the Tariff Act of 1951 including language making it mandatory that a formal investigation be instituted upon every application by an interested party.

3. We suggest that the same discretion be given to the Director of the Office of Defense Mobilization by substituting the words "when in the judgment of the Director there is a good and sufficient reason therefor upon application of an interested party" for the words "upon application of an interested party" in the amendment contained in the present bill to section 2 (b) of the act of July 1, 1954.

4. We suggest that the escape clause be further amended to provide that the Tariff Commission shall not entertain any application for an investigation on an imported article that has been subject to a complete investigation with findings of no threat of serious injury until after a period of two years has elapsed.

The Tariff Commission is now required by Executive Order 10401 to review all escape clause cases in which the trade agreement concession was withdrawn, modified, or suspended, not more than 2 years after such action was taken.

5. Peril points: We note that the amendment to section 2 (b) of the act of July 1, 1954, requires the Director of the Office of Defense Mobilization to "seek information and advice from other appropriate departments and agencies" in the couse of investigations he makes to determine the effects on the national security of certain imports.

We respectfully suggest that section 3 (a) of the Trade Agreements Extension Act of 1951 be similarly amended to require the Tariff Commission to seek information and advice from other appropriate Departments and agencies in the investigations it makes to determine peril points.

6. The proposed new section 350 (f) provides that during the course of negotiating any foreign-trade agreement—and this is a new provision—the President should seek information and advice with respect to such agreement from representatives of "industry, agriculture, and labor."

It is not clear whether or not the word "industry" includes United States exporters and importers. We, therefore, suggest that the words "exporters and importers" be inserted after the word "industry" in this subsection, in the interest of clarity.

7. Next, with reference to section 350 (e) (1), relating to the President's annual report on the operation of the trade agreements program, we approve the amendment requiring that such report include information regarding the results of actions taken to obtain the removal of foreign trade restrictions against United States exports.

We do wish to call attention to the fact that the most effective way to obtain the removal of such foreign trade restrictions against our exports is the continued active participation by the United States in the General Agreement on Tariffs and Trade (GATT).

8. Minor changes are made in section 336 of the Tariff Act of 1930, relating to equalization of cost production. We suggest that a further amendment be made to this section to provide some procedure for the review by the Tariff Commission of cases in which the duty rates were increased many years ago as a result of investigations under this section.

Certainly, in the past 20 years or more, the differences in cost of production of domestic articles, and like or similar foreign articles have changed materially.

In the few cases where the President proclaimed duty increases as a result of investigations made under section 336 over 20 years ago, we submit that new cost-of-production investigations involving present-day conditions are in order, notwithstanding section 2 (a) of section 350 of the Tariff Act of 1930, as amended.

The original Trade Agreements Act of June 12, 1934, which is section 350 of our Tariff Act, has been amended many times. In addition, the provisions of the Trade Agreements Extension Act of 1951 and of the Act of July 1, 1954, relate to this legislation. The present bill proposes to amend all three of these acts still further. This makes for confusion.

Consequently, in conclusion, we would suggest that a clean bill be presented containing the original 1934 Trade Agreements Act as amended by subsequent legislation, including the changes in the pending bill which are finally adopted.

Thank you very much. That completes my statement.

The CHAIRMAN. Are there any questions?

Senator LONG. I would like to ask about one matter here, Mr. Chairman.

The CHAIRMAN. Senator Long?

Senator LONG. You make the statement that you think certain articles, which are either not produced at all or produced in very small quantities in this country should be duty free?

Mr. RADCLIFFE. Yes, sir.

Senator LONG. What is the point in making them duty free if we do not produce them in this country? It would just deprive the Treasury of some income.

Mr. RADCLIFFE. Putting it in reverse, sir, what is the point of putting a duty on it if it is not produced in this country?

We do not use duties nowadays for revenue purposes but for protection of domestic industry.

Senator LONG. We do receive quite a bit of revenue though, don't we?

Mr. RADCLIFFE. In the early colonial days it was the major part of our Federal revenue.

Senator LONG. That was the primary source of income of the country?

Mr. RADCLIFFE. That is right, sir. It ran over 85 percent of all Federal receipts.

Senator LONG. A duty on coffee, bananas, and similar items might ultimately have the effect of an indirect sales tax but it does bring income to the Government.

Why remove the duty from goods we do not produce in this country? It would not expand trade, would it?

Mr. RADCLIFFE. I think that it would be a valuable concession in negotiation of trade agreements. In fact, it would provide more potent bargaining power than 2 percentage points on an article that now has a very low rate of duty.

Senator LONG. Could you give me an example of how that would expand trade? If all of our supplies are coming from foreign sources, it might reduce the price a little, but I don't see how it would expand the trade.

Mr. RADCLIFFE. It probably would expand the trade because some of these articles not produced in this country are subject to an ad valorem duty which is very complex even with the Customs Simplification Act. It is still a complex procedure which causes some hesitation on the part of importers to go in too deeply because they may run into a situation where they wouldn't know their customs obligations perhaps for months to come. It would stimulate the trade if it were on the free list.

Senator LONG. Can you tell me whether, in your judgment, there are a large number of articles upon which the tariff is so high that it precludes any importation of those articles in a practical sense?

You do not have a list here, but I would like to know if you think such a condition is general with regard to a substantial number of articles.

Mr. RADCLIFFE. Well, of course, there is no way of knowing what articles are being kept out because of high rate of duty, because they do not appear in our import trade picture statistically or otherwise, but it is a fact that from time to time we hear of a case where the importer has found that the price the foreign producer wants, plus the duty and other costs of bringing it here are too high and he just does not bother with that item, because he cannot foresee a profit on it.

Senator LONG. Thank you.

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

Senator MALONE. I would like to ask a couple of questions, Mr. Chairman.

The CHAIRMAN. Senator Malone.

Senator MALONE. I think your statement is very clear.

Are you the executive vice president of the National Council of American Importers, Inc.?

Mr. RADCLIFFE. Yes, sir.

Senator MALONE. How many members do you have of your organization?

Mr. RADCLIFFE. At the present time, about, I would say 615 to 625.

Senator MALONE. Where are they mostly located?

Mr. RADCLIFFE. Well, there is a big concentration in New York City area, because a great portion of our import trade volume comes in there, but we do have members on the west coast, the Midwest and the gulf, and New England, around the country.

Senator MALONE. Of course you understand this trade act very thoroughly, I can see that.

Do you know that the President or the Secretary of State, who has testified he is the spearhead of the arranging of bilateral and multilateral trade agreements as representative of his department sit in at Geneva, you are of course aware that the President or the Secretary of State, however you might word it, can trade a part or all of any industry in this country if he thinks that it will be favorable to and advance his foreign policy?

Mr. RADCLIFFE. Did I understand you to say that he could bargain away an American industry?

Senator MALONE. Yes, that is right.

Mr. RADCLIFFE. I don't know, he has his limitations as to what duties might be reduced.

Senator MALONE. That is right. He has his limitations as to the reduction, the first one in the original act of 1934 being 50 percent.

Mr. RADCLIFFE. That is right, sir.

Senator MALONE. When was it, the second one——

Mr. RADCLIFFE. In 1945 when the act was renewed there was another 50 percent.

Senator MALONE. Yes. But it was renewed several times in the interim. It was never more than 3 years and 1 year on 2 different occasions, wasn't it?

Mr. RADCLIFFE. Yes, it was renewed 10 times.

Senator MALONE. Yes. Two 1-year renewals.

Then, he can reduce the duties, make this trade on any industry that he might see fit to make such a trade, can he not, within the limits of the act?

Mr. RADCLIFFE. Certainly.

Senator MALONE. And to that extent, trade that part or if it works out that way, all of the industry, if he thinks that in the overall picture of advancing his foreign policy it is desirable, can he not?

Mr. RADCLIFFE. He can make the reduction of rates within the limits provided in the law.

Senator MALONE. Yes. And of course you——

Mr. RADCLIFFE. And he has done so without——

Senator MALONE. That is right. We understand each other.

You understand that any fixed duty or tariff is lowered in direct proportion to the extent of inflation, do you not?

Mr. RADCLIFFE. Specific duties during a period of inflation tend to lose their ad valorem equivalent.

Senator MALONE. That is right. If they are ad valorem they would be the same percentage in any case so their relative protection would be the same.

Mr. RADCLIFFE. That is right, sir. Talking about specific duty goods——

Senator MALONE. Yes. But on specific duty goods, the tariff is lowered to the extent of the inflation.

Mr. RADCLIFFE. Yes, sir.

Senator MALONE. The Chairman of the Federal Reserve Board testified before the committee that the 1948 dollar is now worth 48 cents. That is about right, is it not?

Mr. RADCLIFFE. I would not know.

Senator KERR. The 1939 dollar?

Senator MALONE. 1939 dollar. I stand corrected.

And many believe that on the 1934 dollar it is worth about 35 cents. But the argument, in any case, is that whatever amount it is lowered, any fixed duty is lowered to that extent.

Mr. RADCLIFFE. It is lowering the ad valorem contents of the specific duty goods.

Senator MALONE. So in order to have the same effect they had in 1934 the fixed duties would have had to be raised in proportion?

Mr. RADCLIFFE. That is a theoretical way to balance it out and give it the same ad valorem effectiveness that it had in those days.

Senator MALONE. That is right.

Now, in effect then, however the duties are lowered, at least they are not raised to offset the effect of that lowering, so to that extent the glass, crockery or any other industry can be lost to this country?

Mr. RADCLIFFE. There is no automatic escalator clause in our tariff, sir.

Senator MALONE. Yes. Do you know that the 36 foreign nations (we are a member, making a total of 37) that are party to the GATT, General Agreements on Tariffs and Trade, located in Geneva, do not need to keep their part of the agreement as long as they can show they are short of dollar balance payments?

Mr. RADCLIFFE. Well, if they are in balance-of-payment difficulties there are special provisions in the GATT to recognize that situation.

Senator MALONE. And they do not need to live up to their part of the agreement as long as that prevails?

Mr. RADCLIFFE. Well, the purpose, I believe, of that provision is that when a nation is in balance-of-payment difficulties, they are relieved of some of their obligations under the GATT arrangement in order that they can put their house in shape so they can be in a position to fulfill their obligations.

Senator MALONE. That is a very good explanation, but they do not need to keep their part of the agreement.

Mr. RADCLIFFE. I think there are certain formalities so that they cannot do it unilaterally.

Senator MALONE. As long as that is the case.

How do they do it?

Mr. RADCLIFFE. Well, they do it by laying the situation before the GATT at its annual sessions and getting a special dispensation.

Senator MALONE. Well, I guess they have no trouble there, because the facts are that almost every nation in the world has import prmits, exchange permits, and all but 2 or 3 of them manipulate their money value in terms of the dollar for trade advantage.

You are aware of that fact, are you not?

Mr. RADCLIFFE. Oh, yes, sir.

Senator MALONE. Then you would not say they were keeping their agreements under those conditions?

Mr. RADCLIFFE. I think that every nation has certain problems, if they are short of dollars they have got to put in certain restrictions to limit the use of those dollars to essentials rather than nonessentials.

Senator MALONE. That is provided in the GATT arrangement?

Mr. RADCLIFFE. Yes, sir.

Senator MALONE. Now then, concerning the dollar shortage I have my own opinion. There is one way you and I can have a dollar shortage, but two ways a nation can have it.

You are perfectly familiar with the way they have a dollar shortage?

Mr. RADCLIFFE. Yes, sir.

Senator MALONE. You and I can have it by expending more than we earn in a given time and the banker takes exception to it and we have to look at the hole card.

Now a nation can do it the same way by expending more than they earn, can they not, in any given period?

Mr. RADCLIFFE. Well, of course the balance-of-payment situation would require that there is always some way that the ledger must balance. If they do not have the actual cash they would have to have credits, because no exporter, if we are talking about trade, no exporter in this country is selling his goods for pesos or any foreign currency. He wants hard United States dollars.

Senator MALONE. Isn't the reason for that that they have a price fixed on their pesos, or whatever they call their money, that is higher than the market price? Isn't that the reason they cannot spend them directly?

Mr. RADCLIFFE. Well, I do not know about that particular angle, about whether the foreign exchange rates for the foreign currencies are realistic or not.

Senator MALONE. Well, of course——

Mr. RADCLIFFE. Some of them are arbitrarily set and maintained arbitrarily.

Senator MALONE. Well, there is no use of our getting into an argument. All you need to do is to look at the record. They are not realistic, so I will tell you that and give you a good start in studying it.

Now then, the point is and my direct question is, they do not have to keep their part of the agreement as long as they can show they are short of dollar balance or some excuse for not keeping it, do they?

Mr. RADCLIFFE. They can impose import restrictions or foreign exchange control if they are short.

Senator MALONE. That is right; and they do.

Mr. RADCLIFFE. That is right, sir.

Senator MALONE. And you are fully aware of that when you recommend extension on that basis?

Mr. RADCLIFFE. That is right.

Senator MALONE. And it is the Secretary of State who spearheads the negotiation of the bilateral trade agreements, and so testified to here Saturday by the Secretary, and his representative sits in at Geneva.

Mr. RADCLIFFE. Yes, indeed.

Senator MALONE. And you know, of course, that no Congressman or Senator is allowed to know what the negotiations are about until they are completed? Or do you know that?

Mr. RADCLIFFE. It seems to me there was a delegation from the Congress that accompanied our negotiators in 1955.

Senator MALONE. If they were allowed to find out anything it was very secretive because the general testimony of the Secretary was that if they allowed anyone to know about it, it would defeat their power to negotiate.

Mr. RADCLIFFE. Well, this pending bill, as I mentioned, provides that they shall negotiate these in the future with the advice and consent of labor, agriculture, and industry.

Senator MALONE. Is that advice gained here through the Committee for Reciprocity Information?

Mr. RADCLIFFE. Well, I assume this provision was intended to go further than that because they have at all times prior to a trade agreement negotiation held hearings before the Committee for Reciprocity Information.

Senator MALONE. That is right; right here in Washington.

Mr. RADCLIFFE. And I think that the proposed amendment to the law probably meant they would be invited to go along with the negotiators.

Senator MALONE. Do the industries that appear before this Committee for Reciprocity Information know what is done with the information?

Mr. RADCLIFFE. No, sir, not after the hearings are concluded.

Senator MALONE. Yes.

Mr. RADCLIFFE. Oh, no.

Senator MALONE. And no representative industry is allowed to sit in on the negotiations, are they?

Mr. RADCLIFFE. Not at the present time, no, sir.

Senator MALONE. And they are not allowed to know what they are negotiating about until after it is completed and signed?

Mr. RADCLIFFE. It is a completely secret process after the public hearings.

Senator MALONE. Now you do know that the Constitution pointedly separates the regulation of the national economy from the regulation or fixing of foreign policy, do you not?

Mr. RADCLIFFE. Yes, indeed.

Senator MALONE. In other words, in article I, section 8, the legislative branch is assigned the responsibility of regulating foreign trade and fixing the duties, imposts and excise that we call the tariffs, and the executive in article II, section 2, is charged with the responsibility of fixing foreign policy.

You know that?

Mr. RADCLIFFE. Yes, sir.

Senator MALONE. Now then you do know that the 1934 Trade Agreements Act ties the two together under the executive and gives him full authority to negotiate both, to the limit of the latitude given him in the act?

Mr. RADCLIFFE. Yell, I am not a lawyer, Senator, but I understood——

Senator MALONE. Neither am I. You understand that is a fact?

Mr. RADCLIFFE. I understand it is a constitutional delegation of power, a proper delegation of power. That is affirmed by the fact if it had been wrong legally or constitutionally in 1934 certainly the fact that the Congress has given its blessing to it nine more times would seem to dispose of that point to my mind.

Senator MALONE. Well, answer my question, and that is you do know that it tied the two together under the executive to the extent of the latitude given the President under the act in the regulation of the economy, to regulate the economy.

You know that?

Mr. RADCLIFFE. Oh, ys.

Senator MALONE. There is no use in our getting into an argument as to the Constitution on that.

Mr. RADCLIFFE. I could not hold my end up on that question.

Senator MALONE. There has been a case trying to get it before the Supreme Court for several years.

It has never been before the Supreme Court.

Now you do know if we do not extend this act, it dies at midnight June 30 of this year?

Mr. RADCLIFFE. That is right, sir.

Senator MALONE. Do you know what happens if we do not extend it?

Do you know what the procedure would be?

Mr. RADCLIFFE. Oh, yes, surely.

Senator MALONE. What would it be?

Mr. RADCLIFFE. The trade agreement rates would remain in effect and, of course, the executive would have no authority to negotiate new trade agreements or to renegotiate any part of the old ones, but everything else would remain as is.

Senator MALONE. Well, I have some news for you, and that is that of course you are right that there can be no new negotiations after midnight of June 30 in bilateral trade agreements by the State Department or multilateral agreements in Geneva, but upon 2 months' notice to the Secretary of the United Nations, I think the wording is——

Senator KERR. I do not understand the Senator.

Senator MALONE. On 2 months' notice to the Secretary of the United Nations——

Senator KERR. To the Secretary of the United Nations?

Senator MALONE. It is official notification to the Secretary General of the United Nations, 6 months' notice of withdrawal of the United States from these trade agreements, then all of the products covered with multilateral trade agreements in Geneva revert to the Tariff Commission, an agent of Congress to be regulated under section 336 of the 1930 act, did you know that?

Mr. RADCLIFFE. Well, as to section 336, there is a prohibition now against resorting to section 336 on the cost of production investigation for any item that has been subject to the Trade Agreements Act.

Senator MALONE. But they all revert. Upon 2 months' notice to the Secretary General of the United Nations that the United States is withdrawing all of the multilateral trade agreements acts are completely nullified.

Mr. RADCLIFFE. I really am not familiar with the 60-day notice to the United Nations. I did not know that the United Nations were in the picture on our trade agreements. It may be the GATT, but I think then it is a longer notice, 6 months' notice, I would say.

Senator MALONE. I was not expecting to have an argument about that, but I will correct it if it is technically wrong.

Mr. RADCLIFFE. I was just stating——

Senator MALONE. Do you understand if the United States or any party to these multilateral agreements serves a notice of 60 days they are out of it?

Mr. RADCLIFFE. Not under the so-called escape clause of the GATT.

Senator MALONE. No, it has nothing to do with that—you are just out from under the whole business on 60 days' notice.

Mr. RADCLIFFE. I know that a nation can withdraw from the GATT. And also there is provision in all of our trade agreements including the remaining bilateral ones which permits the cancellation of that upon a 6 months' notice by either party.

Senator MALONE. Sixty days?

There has been much misinformation put out about these trade agreements. On June 30 if the 1934 Trade Agreements Act, as extended, is allowed to expire we revert to the 1930 Tariff Act which is a part of the law of the land although superceded by the 1934 act. Now take this and check it so that you can communicate with the chairman and make any statement you care to for the record: when the 1934 act expires we revert to the 1930 act and, upon 60 days' notice to the Secretary-General of the United Nations, any of the multilateral agreements expire.

Mr. RADCLIFFE. All right, sir.

Senator MALONE. All of the products covered by multilateral trade agreement acts negotiated in Geneva revert to the Tariff Commission under the 1930 act.

Mr. RADCLIFFE. They go back to the 1930 act?

Senator MALONE. That is right.

Under the statutory——

Mr. RADCLIFFE. I think that is a deplorable situation; I think we ought to have a modern 1958 Tariff Act freezing the July 1, 1958, rates.

Senator MALONE. Well, you would have that if you let them go back. Because it is a flexible tariff, don't you remember?

Mr. RADCLIFFE. I remember that.

Senator MALONE. Because then they could examine any product that your people are interested in, and if they find that the existing tariff or duty does not represent the difference in the cost of production they can adjust it?

Mr. RADCLIFFE. That is is right, sir.

Senator MALONE. Reasonable cost of production here, and in the chief competing nation, then they raise or lower it to confirm to it.

And they can do that every time there is a change in that relationship.

So if that nation was ever living about like this Nation, free trade is automatic, isn't it?

Mr. RADCLIFFE. That is right.

Senator MALONE. And I am for free trade on that basis.

Now in the matter of bilateral trade agreements, upon 6 months' notice to the nations——

Mr. RADCLIFFE. That is right, sir.

Senator MALONE (continuing). With which you have bilateral trade agreements, those products revert to the Tariff Commission on the same basis, you knew that, did you not?

Mr. RADCLIFFE. Oh, yes, sir.

Senator MALONE. So there is only a difference in principle.

The people that you are testifying for are for the President and the Executive to have the authority delegated to Congress under the Constitution?

Mr. RADCLIFFE. That is correct.

Senator MALONE. And some of us are not for it.

You understand that?

Mr. RADCLIFFE. Yes, sir.

Senator MALONE. Thank you.

The CHAIRMAN. Thank you very much.

Mr. RADCLIFFE. Thank you, Mr. Chairman.

The CHAIRMAN. The next witness is Col. Thomas J. Weed, of the World Trade Association.

STATEMENT OF THOMAS J. WEED, REPRESENTATIVE, SAN FRANCISCO PORT AUTHORITY, ON BEHALF OF THE SAN FRANCISCO AREA WORLD TRADE ASSOCIATION AND RELATED ORGANIZATIONS

Mr. WEED. Thank you, Mr. Chairman, for the privilege of appearing.

Fortunately, my testimony will take only about a matter of a few minutes.

The statement regarding the vital importance of the renewed and strengthened Reciprocal Trade Agreements Act to San Francisco area and Western United States business interests, presented by Thomas J. Weed, Washington, D. C., representative of the San Francisco Port Authority on behalf of the San Francisco Area World Trade Association and related organizations, in the field of world business and finance.

The San Francisco international business community has supported the Reciprocal Trade Agreements Act from its inception. The San Francisco Chamber of Commerce, for example, first enunciated its tariff policy on February 4, 1932, calling upon the Congress for machinery for reciprocal concessions in tariff rates in the interest of the revival and upbuilding of our foreign commerce.

A principal architect of the reciprocal trade agreements program was the late San Franciscan, Dr. Henry F. Grady, then manager of the chamber's world trade department and later Assistant Secretary of State for Economic Affairs in charge of the trade agreements program under Secretary of State Cordell Hull.

Dr. Grady was later president of the American President Lines and United States Ambassador to Greece, India, and Iran. He was a life-long advocate of a dynamic, enlightened, and practical world-trade policy for the United States.

The business community commends the Congress for its role in initiating and continuing the Trade Agreements Act, first passed in 1934 and renewed from time to time since its initial passage.

Strong support is also given to the General Agreement on Tariffs and Trade, which, with the new European Common Market, is absolutely essential if the United States is to maintain its competitive position in world markets.

No other instruments have had a more beneficial effect than the Trade Agreements Act and the GATT in expanding our trade and strengthening our friendly relations with other countries. This has been amply demonstrated not only by the volume and value of our multi-billion-dollar international business today but by the fact that the Congress of the United States has extended the act from time to time since 1934 and, in each instance, all phases of the act have been carefully considered and studied by both the Legislature and by American business. The benefits of this act have been particularly well adapted to those aspects of the foreign policy of the United States which are designed to replace foreign aid by foreign trade and, thereby, to strengthen both the free enterprise economy of this Nation and that of other nations of the free world.

Because of the proven success and the benefits that have been derived from the Reciprocal Trade Agreements Act, and because of its adaptability to current world conditions, we now urge that the Congress renew this act in its present form as permanent law.

Such action we firmly believe will add needed stability, continuity, and permanence to our economic policies, both at home and abroad, and will strengthen our international position.

We feel that the escape clause and the peril point amendments to the act are cumbersome and further studies should be undertaken for their early revision. It is also believed that in no event should the decision on whether or not to raise tariffs in escape-clause cases be taken from the President and given to the Tariff Commission or another entity.

The San Francisco area international business community reaffirms the policy first enunciated in 1932 and recommends renewal of the Trade Agreements Act in its present form for not less than 5 years and, preferably, without an expiration date.

That, Mr. Chairman, is the statement furnished to me and which I was directed to present.

The CHAIRMAN. Thank you very much, Colonel.

Are there any questions?

Senator MALONE. Your name is Col. Thomas J. Weed?

Mr. WEED. Yes, sir.

Senator MALONE. You say this was a statement furnished to you? By whom?

Mr. WEED. By the World Trade or the San Francisco World Trade Community.

That is made up——

Senator MALONE. San Francisco Port Authority?

Mr. WEED. Sir? I am the representative here of the port authority.

Senator MALONE. San Francisco Port Authority?

Mr. WEED. The port authority, sir, is a member of those different organizations.

Senator MALONE. On behalf of the San Francisco Area World Trade Association and related organizations in the field of world business and finance.

Have you then, of your own account, studied the 1934 Trade Act as extended?

Mr. WEED. No, sir, Senator. I am the representative of the San Francisco Port Authority.

My chief mission here is in connection with transportation, and I was requested to come before the committee and to deliver this statement.

Senator MALONE. You have heard the questioning of the other witnesses, and I think there would be no point in questioning you as you are just a third party delivering the message.

Mr. WEED. Yes, sir.

Senator MALONE. You did hear the questioning and the answers that under this 1934 Trade Agreements Act as extended 10 times for from 1 to 3 years, you can remake the industrial map of the United States, could you not?

Mr. WEED. I rather think you could, Senator.

Senator MALONE. Well, I don't want to embarrass you if you have not studied it and I think, Mr. Chairman, that is all.

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

Mr. WEED. Thank you very much.

The CHAIRMAN. The next witness is Mr. Ralph B. Dewey of the Pacific American Steamship Association.

Take a seat, sir, and proceed.

STATEMENT OF RALPH B. DEWEY, PRESIDENT, PACIFIC AMERICAN STEAMSHIP ASSOCIATION

Mr. DEWEY. Thank you, Senator.

I have some prepared statements I would like to have the clerk distribute.

Mr. Chairman, my name is Ralph B. Dewey. I am president of the Pacific American Steamship Association which, as I have stated in my prepared statement, is a trade association of the American-flag ship operators domiciled on the Pacific coast.

This organization has been in existence for 40 years and has a very keen interest in all matters relating to tariff legislation.

I welcome the opportunity to appear in support of the House passed legislation H. R. 12591, to extend the Reciprocal Trade Act for 5 years. Our position in this matter is based on our day-in-day-out participation as servants and coventurers in the export and import trade of this country.

Our member companies, consisting of the principal American-flag ship services operating from Pacific coast ports, carry the products of our farm and factories to consumers in over 100 countries.

The return voyages bring home raw materials and manufactures which our industries absolutely need and which individual consumers have learned to prefer.

At the outset, it must be said that no industry is more appreciative of the devastating effect of foreign low-wage competition than is the American merchant marine.

American ships in the last 3 years have only carried 20 percent of United States export cargoes, the other 80 percent being carried on the vessels of foreign registry.

And this is in spite of various Government preferences and financial subventions to the American merchant marine.

So to any injured industry who points to encroachment by foreign competition, may we cite the case of American-flag ships which are outsold in the American market 4 to 1 by foreign competitors.

But despite this experience, we urge in the strongest terms possible the continuation, indeed the enhancement of our sound, well-conceived trade policy, based on reciprocity between nations.

The American merchant marine and its 1,000 privately owned vessels has been aptly described as our Nation's fourth arm of defense, and our first arm of commerce.

As servants of both commerce and defense, and as an instrument of our foreign policy, our industry wholeheartedly subscribes to the words in the President's message when he said: "The enactment of this legislation, unweakened by amendments of a kind that would impair its effectiveness, is essential to our national economic interest, to our security, and to our foreign relations. It will provide a powerful force in waging total peace."

In reviewing the testimony thus far, it would seem clear that the Congress has the simple choice of protecting the job security of 4 million Americans who live off of exports, achieving this according to a proven formula of reciprocity; or to step backward into a volatile system of regionally dictated tariffs to "protect" the job security of only 200,000 workers in "injured" industries.

Mathematically, the weight of evidence is on the side of continuing our present reciprocal tariff program.

Merchant shipping is the servant of world trade. Its usefulness and reliability is heavily dependent upon stability of that trade. An important ingredient in this international exchange is to know whether or not your own country, as well as the country of your trading partners, will keep a checkrein on tariffs.

Even the threat of tariff increases frustrates months and years of trade promotion. And what is true for our customers, the exporters and the importers, is true for us in merchant shipping, namely, that without stability we cannot provide service, and without regular dependable service, at reasonable rates, foreign trade would revert to the law of the jungle.

In no area of merchant shipping is the need for stability more important than in the investment of new vessels. New modern competitive cargo ships built in United States shipyards now cost $10 million, and will replace warbuilt vessels costing an average of only $1½ million.

Future planning for replacement of our rapidly aging warbuilt merchant fleet is in no small part dependent upon the kind of framework in which foreign trade of the world is conducted.

At present there is under contract, or in the stage of active planning, some $3 billion worth of new vessels for the American merchant marine.

As much as one-third of this will be paid for out of construction subsidies, appropriated by the Congress. It is inconceivable that Congress should on the one hand engage in a joint venture of this proportion with ship operators, and on the other hand consider taking away or detracting from the international agreements that form the framework of the foreign trade these ships will serve.

We recommend favorable action on this legislation.

The CHAIRMAN. Thank you very much.

Mr. DEWEY. Thank you, Senator.

The CHAIRMAN. Are there any questions?

Senator MALONE. You mention subsidies to build ships. What are these subsidies?

Mr. DEWEY. The Merchant Marine Act of 1936, Senator, was passed in an atmosphere of a depleting national asset, namely our merchant marine, and that legislation makes provision for Federal appropriations, to achieve parity, between the cost of constructing a vessel in American shipyards and the cost of constructing an equivalent vessel in foreign shipyards.

In the Tariff Act there is a 50 percent duty on repairs. And we are forbidden by law from buying ships for United States flag operation in foreign shipyards. So in exchange or in compensation for that statutory forbiddance, the Congress made provision that if we are going to have the shipbuilding industry and if we are going to have a ship operating industry, that some sort of dramatic measure must be taken to compensate financially the construction and operating of vessels under the United States flag.

Senator MALONE. Well, now, that 50 percent duty, I didn't understand what you meant by that.

Would you explain it?

Mr. DEWEY. Yes. Any American ship that is repaired in a foreign yard is subject to 50 percent duty under the Tariff Act of 1930.

Senator MALONE. You mean when you bring it back to the United States?

Mr. DEWEY. When you bring it back to the United States, your first arrival at the United States, you are assessed a 50 percent duty.

Senator MALONE. On the amount of the repairs?

Mr. DEWEY. On the amount of the repairs.

Senator MALONE. Does that make up the difference in cost, would it have?

Mr. DEWEY. I am sorry, Senator, I am not sure I understand that question.

Senator MALONE. What is the difference, say, in Japan and in building a merchant vessel and in the United States, a ship, any ship?

Mr. DEWEY. It varies, of course, between various shipbuilding centers. Japan is a shipbuilding center, as are Holland and England.

Senator MALONE. I know that. So I just asked about one of them.

Mr. DEWEY. Actually, I am not familiar with the percentage but it is in the neighborhood of between 42 and 44, 45 percent in most shipbuilding centers, that is the differential between constructing an equivalent ship in those centers.

Senator MALONE. It was not far off, any way, was it?

Dr. DEWEY. It is close.

Senator MALONE. Fifty percent was not very far off. I was not aware of that tariff to equalize the difference in costs.

But I say it isn't far off. It could be adjusted.

And it is flexible, that tariff, whatever it is, wasn't it? Can't you hear me?

Mr. DEWEY. Yes, Senator. I am trying to understand. When you say the tariff is flexible, I am not aware that the tariffs on merchant ships——

Senator MALONE. All of the tariffs in 1930 were flexible. In other words, the Tariff Commission would adjust them up or down to make the difference in cost.

I was not aware of this tariff, but it could be adjusted to 44, or 40?

Mr. DEWEY. As any tariff could be adjusted.

Senator MALONE. Yes; that is right.

Mr. DEWEY. This one could be adjusted, I assume; yes sir.

Senator MALONE. You think the subsidy to make up that diffrence is right and should be continued in the building of a merchant marine?

Mr. DEWEY. It matters very little whether I think so or not, Senator. Either you are going to do it or you are not going to have a merchant fleet.

Senator MALONE. I asked you if you thought it was proper, you didn't answer that.

Mr. DEWEY. Well, naturally, I am quite in favor of the program, Senator.

Senator MALONE. That was a very complete answer.

Mr. DEWEY. Thank you.

Senator MALONE. I don't know what motivates Congress I have been here only 12 years and I haven't found out.

You talked about 4 million Americans employed in foreign trade. The Secretary of State estimates four and a half million. You don't differ with him, do you?

Mr. DEWEY. No.

Senator MALONE. Four and a half million would be all right?

Do you know that if you subtract the amount of money that you give these nations each year, we have given them approximately $70 billion since World War II, and subtract the subsidies on the material we export, and the things that we give out, that you are exporting a less percentage in money of your exportable goods today, than you were in 1934 when you passed the act?

Mr. DEWEY. I hadn't rationalized those figures in just the same framework that you had, Senator.

Senator MALONE. It would be a good idea.

Mr. DEWEY. I am keenly aware a large measure of our annual exports consists of foreign aid.

Senator MALONE. In other words, we are putting out the money in billions to buy this trade, and it all comes back to the taxpayer anyway.

As a fellow said, whether you stand up in the stirrups or sit down in the saddle, the weight is still on the hoss, you know, and that is the taxpayer.

If that is true, and I wish you would study the table that was put in the testimony when I was cross-examining the Secretary of State Saturday, if you find anything wrong with it when the testimony is printed after certain corrections are made, I wish you would write to me, because I want to know when I am wrong in a matter of computations.

But if I am right about that you do not do away with all our foreign trade if this act expires, you just drop back to the profitable trade, which is all some us want.

And it is all you want. You want the profit yourself, whether it comes from the taxpayers or from some place else, you have to make a profit or you would go out of business, wouldn't you?

Mr. DEWEY. Well, indeed we would.

Senator MALONE. Yes, of course.

Now, you said something about 200,000 men in injured industries.

There are 6 million of the boys on the street. Where do you get all these men that are on the street?

Mr. DEWEY. Well, Senator, if there are any statistical evidences that the 6 million unemployed are directly——

Senator MALONE. Yes; we have it.

Mr. DEWEY. Are directly related to our reciprocal trade program, I am not aware of it.

Senator MALONE. I know you are not. I could tell from your statement. I am not quarreling with you, I don't want to embarrass you, but there are 243 depressed areas in the United States, practically all of them in areas where they produce things that are now imported cheaper than they can make them.

You would say that would rather connect it, wouldn't you?

Mr. DEWEY. I am sure there are industries, Senator, where importation of low-cost foreign products are causing a burden on the employment figures and sales figure of those companies.

I don't think there can be any denial of that. It is a case of balancing in my mind the plusses and the minuses in a program such as this.

Senator MALONE. Well, there are 6 million unemployed now as against the four and a half supposedly employed in foreign trade who, it is implied, would all be unemployed if you changed this act which, of course, they would not.

Mr. DEWEY. Assuming the premise——

Senator MALONE. There are 243 depressed areas. Let me ask you this question. If, in any one depressed area where they produce the things that are being imported, and now they are no longer producing them or producing less, you would say that may have some connection, would you not?

Mr. DEWEY. I would say that had some connection other things being equal, Senator——

Senator MALONE. Yes. I don't know what things you are talking about being equal, because the boys working out there with their hands get $18 or $20 a day, and in Japan they get 20 cents an hour.

Mr. DEWEY. Well——

Senator MALONE. I want to give you just one illustration.

You know titanium, the metal with the very high weight-strength ratio and heat resistance. In that industry the Du Ponts in New Jersey were making about half of what we consumed and the other half was made in Henderson, Nev., about 10 miles out of Las Vegas with Hoover Dam power. They were doing very well, but suddenly about the end of last year they laid off 500 men.

No one knew what happened until they found that there was more titanium produced with American capital in Japan with 22-

cent-an-hour labor and imported here than they made at Henderson, so they just no longer needed it.

Do you think then that that is all right? Would you be in favor of the Administration's position which the Secretary of State has testified in favor of a few times here, that we should appropriate money to train these men for other work and pay their way to some other area where they might get another type job?

Mr. DEWEY. Senator, I would say as a trade organization of steamship operators we have not taken a position on that particular problem but will you permit me to say that personally that philosophy does complement the philosophy that lies behind the Merchant Marine Act under which we now have a very fine hard core of good ships but which still carries only 20 percent of our commerce. But at least it is a nucleus of a fine, fast modern merchant marine.

Senator MALONE. Yes.

Mr. DEWEY. Now, if there is an element of common ground in what you have just said and in the philosophy in the Merchant Marine Act so to that extent I would have to——

Senator MALONE. I approve of the merchant marine. But, Mr. Dewey, that is the way they do it in Russia except they do not need a constitutional act.

Mr. DEWEY. They sure do not.

Senator MALONE. They just get them up and transfer them to Siberia and if they die it does not make much difference because they don't need them anyway.

Now to skip over some of the things that you are probably not familiar with, would you believe that a fixed price or a tariff or duty as they call it in the Constitution of the United States, that made up the difference in the effective wages and cost of doing business here and in the chief competing nation on any product produced commercially in this country along the lines that you just outlined for the merchant marine, would be proper?

Mr. DEWEY. No, sir, I do not. I would prefer your previous theory, your previous proposition.

Senator MALONE. What?

Mr. DEWEY. I would prefer the previous proposition, to the interim——

Senator MALONE. The State Department proposes we retrain the working man to go to other areas and get other jobs.

Mr. DEWEY. Yes.

Senator MALONE. Of course they do not propose what jobs, because almost all industries seem to be trying to compete with imports.

You think about reciprocity. Do you know what it costs to get an American automobile into England, for example?

Mr. DEWEY. Senator, I think I would only have that knowledge if I were engaged in that particular kind of business.

Senator MALONE. I am about to tell you. It costs about 55 percent of the price of the automobile, so there is not much reciprocity and I won't try to question you on this.

Mr. DEWEY. Actually, Senator, I think you and I are talking about the things that are the subject for the people whose industries are involved and for the Tariff Commission who has expertise in these matters. Actually you and I might wind up agreeing on all kinds of things that we are discussing. But there are so many aspects to the economics of arriving at tariffs that I really feel that this line of questioning is——

Senator MALONE. I do too, I think it is useless, because I do not think you are interested in anything except where you can make a profit.

Mr. DEWEY. No.

Senator MALONE. The thing is that you are now recommending an extension of something that I do not think you know anything about it. I think you have said that already.

Mr. DEWEY. I do not know anything about moving automobiles into England, Senator.

Senator MALONE. Of course you do not. You don't know anything about what it costs to get any of your products in any country where they produce it commercially; you cannot get them in and we are the only Nation so affected and I wish you would study it.

Do you know that under this act the President of the United States can trade a part or all of any industry to a foreign nation if he thought it might help his overall foreign policy?

Mr. DEWEY. I have read the statements of the people opposing this legislation describing that kind of situation, Senator.

I have not studied to find out the merits of each case.

Senator MALONE. You have not studied the act?

Mr. DEWEY. I have studied the act.

Senator MALONE. Well, the act gives him that power within the latitude given him by Congress. He can lower the tariffs, and that means you either have to lower your wages and cost of doing business or go out of business to that extent, does it not, like the merchant marine?

Mr. DEWEY. Not completely, Senator. There are elements of productivity increase that are available to American industry, given a certain atmosphere in which to operate.

Senator MALONE. What is that?

Mr. DEWEY. The industries that are faced with what they feel are traffic maladjustments are industries whose mechanization has lagged behind the pace of mechanization throughout the United States, and many times we have to rationalize this, perhaps, unwillingness, perhaps inability to mechanize against the tariff question that is before the experts.

Senator MALONE. You know of course that the Tariff Commission takes those things into consideration?

It is not a high cost or low cost, it is reasonable costs, and they are perfectly well able and do take those things into consideration.

But do you know that all American machinery and know-how are available any place in the world now?

Mr. DEWEY. If they have got the dollars to buy the machinery.

Senator MALONE. The American investors are going in, I have news for you——

Mr. DEWEY. They are indeed.

Senator MALONE. And they are buying into the textile industries, into the mines, and every other industry all over the world. More than $50 billion of American private capital has gone abroad since World War II and about $70 billion of taxpayers' money has gone for the same purpose so that the last plant, whether it is a mine, a mining plant or a processing plant or a manufacturing plant, built any place in the world today is the best one in the world because it is the last one; do you know that?

Mr. DEWEY. I think that would be on the face of it, sir.

Senator MALONE. I have been an engineer 30 years before I came here.

Mr. DEWEY. I know you were.

Senator MALONE. Each industry seems to want a tariff on what they sell or a bonus or a subsidy on what they are going to build with American wages to make up for the low wages someplace else, but they want free trade on what they buy.

It is an American trait. But do you know what happens if we just do not extend this act?

Do you know what happens?

Mr. DEWEY. Well, the tariff schedules in effect under the 1930 Act, as amended, remain in effect, is my understanding, Senator.

Senator MALONE. Well, I have news for you: Two months' notice on all the products traded under the multilateral trade agreements in Geneva revert to the Tariff Commission on the statutory rate and subject to a flexible rate to equalize the cost differentials here and abroad, and upon 6 months' notice on the bilateral trade agreements, the same thing happens.

You did not know that?

Mr. DEWEY. Well, I have been given to understand that the tariff rates in effect in the act——

Senator MALONE. Not the Tariff Act.

But it is the trade agreements we have in effect now. I understand one of the few tariff rates that has not been reduced is yours on that 50-percent differential, and perhaps that helps your situation some.

Mr. DEWEY. Indeed, it does not, Senator.

We are not for that tariff. We just have not gone after fighting it.

Senator MALONE. I could see that. I could see that you are not, because then you could have your ships repaired, and many of them are, aren't they, under the foreign flags?

Mr. DEWEY. Not our ships. We operate American ships.

Senator MALONE. Very few ships under foreign flags are repaired in the United States?

Mr. DEWEY. That is true; we operate side by side with foreign-flag ships.

Senator MALONE. The only way you can have that is to have the subsidy.

Mr. DEWEY. Apparently Congress has found no other way than that, Senator.

Senator MALONE. The merchant marine is an entirely separate thing from private shipping.

Mr. DEWEY. I am sorry, Senator.

Senator MALONE. Is the merchant marine a separate thing from private shipping?

Mr. DEWEY. Private shipping plus the ancillary functions that go with it; shoreside functions is the composite that makes up what we refer to as the American merchant marine.

Senator MALONE. Then a private investor can profit by this subsidy?

Mr. DEWEY. Well, he does not profit by the subsidy. The subsidy makes the venture possible, Senator; I think that has to be said.

Senator MALONE. He does not profit by it but he could not do it if he had——

Mr. DEWEY. He could not indeed, Senator; it is very much on the face of it.

Senator MALONE. That is all.

Thank you.

The CHAIRMAN. Senator Kerr?

Senator KERR. Referring to page 3 about the middle of the paragraph:

> At present there is under contract or in the stage of active planning——

Senator JENNER. Where is that?

Senator KERR. Page 3, about halfway through the paragraph.

> At present there is under contract, or in the stage of active planning, some $3 billion worth of new vessels for the American merchant marine. As much as one-third of this will be paid for out of construction subsidies, appropriated by the Congress

That is the general situation which has been in effect for some years?

Mr. DEWEY. This program follows from legislation that was written in 1936.

Senator KERR. I understand. And that program of Government participation in the cost of building of these ships has been effective ever since World War II?

Mr. DEWEY. And before, Senator.

Senator KERR. But——

Mr. DEWEY. At and before.

Senator KERR. At least since World War II; is that correct?

Mr. DEWEY. I wanted to add parenthetically the $3 billion figure is a phased program up to 11, 12, 13 years from now, this is a program of replacement of our present aging fleets.

Senator KERR. But it is a continuation of an existing program and one that has been in effect at least since World War II?

Mr. DEWEY. That is correct, Senator.

Senator KERR. What percentage of the labor costs incurred in operating these ships of the American merchant marine was paid for by the Federal Government?

Mr. DEWEY. The percentage varies in each trade route depending upon the nature of the foreign-flag competition that the companies incur.

Senator KERR. I understand.

But would you tell the committee generally approximately the percent paid by the Government?

Mr. DEWEY. I would say that it has varied from a minimum of about 53 percent to a maximum of 85 percent. Those are the latest figures that I am familiar with. I give that as a generality, Senator.

Senator KERR. That the Federal Government pays as a subsidy?

Mr. DEWEY. Yes; that is just the wage component you are speaking of.

Senator KERR. Yes.

Mr. DEWEY. That is my understanding.

Senator KERR. What percentage of the overall operating expense would you say was paid in the form of a Government subsidy?

Mr. DEWEY. For a typical company, not an average company in the transpacific trade between the Pacific west coast and the Orient, the total subsidy income is about 13 percent, about 12½ to 13 percent, of the income of the company.

Now to answer your question directly as to what percentage of the cost of operation, I suppose it would be something like 14, 14½ percent of the total cost of operation, but I think it is fairer to answer your question by saying what percentage of the company's income is——

Senator KERR. Percentage of profit is greater than that, is it not?

Mr. DEWEY. Well, you would be suprised, Senator. It is a feast and famine business, and even with the subsidy, and other incentives, shipping investments do not pay more than 4 or 5 percent; and in testimony in the House committee recently is was shown that they paid less than that on certain types of vessels particularly passenger ships.

Senator KERR. Is the company you referred to typical or would the overall average of the operation be more favorable or less favorable in your judgment?

Mr. DEWEY. I think—I will just have to say it is a typical company and there are four similar companies operating in approximately the same trade route, with the same labor agreements, the same shipyards that do the repair work, I think there is a common-cost basis there, that you could say that this is typical of a company operating in the transpacific trade.

Senator KERR. What other elements of cost are there than construction and labor that go into the figures that you have to recognize in keeping books on your operation?

Mr. DEWEY. There are 5 areas within which the Federal Government subsidizes American ship operations.

Senator KERR. All right. What are they?

Mr. DEWEY. Speaking only of operations now, not construction.

Senator KERR. But according to what you told us they pay 33⅓ percent of the cost of construction.

Mr. DEWEY. Of construction.

Senator KERR. All right. And they pay 50 to 85 percent of the cost of labor.

Mr. DEWEY. Yes. Well, labor is a major cost but it is not the only cost in ship operation, Senator.

Senator KERR. I understand. You say there are three other fields in which the Government subsidizes?

Mr. DEWEY. Yes; we feed our men better and they pay us a differential on feeding costs.

It is a very minor differential under our insurance policies. Our premiums are higher by reason of the fact we must repair our ships in American shipyards. Therefore our insurance premiums on our hulls and our third-party liabilities are higher premiums under American-flag operation.

Senator KERR. Percent of the feeding costs?

Mr. DEWEY. Yes; it is a minimal percentage, not a large differential.

Senator KERR. And a percentage of the repair costs?

Mr. DEWEY. A percentage of the repair and maintenance costs.

Senator KERR. What was the fifth category in which they paid subsidy?

Mr. DEWEY. Subsistence, maintenance, wages—subsistence maintenance and repairs, insurance, and may I ask my colleague, have I got it right, Mr. Sullivan?

Mr. SULLIVAN. I cannot think of the fifth one either, but I think the committee should understand the subsidy for construction is paid to the shipyard and not to the operator.

Mr. DEWEY. This is Mr. J. Monroe Sullivan, who is assistant executive director of the Committee of American Steamship Lines.

Senator KERR. You made a statement I would like to have clarified. He said they paid it to the shipbuilder and not the shipowner. The effect is the same. You get the ship; don't you?

Mr. SULLIVAN. We get the ship; that is right.

Senator KERR. So whether they pay it to you, you pay your money to the ship builder too; don't you?

Mr. DEWEY. Yes, sir.

We pay some of it and the Government pays some of it to the shipbuilder. We do not see the subsidy money.

Senator KERR. You would have 50 percent more to pay to them for the ship.

Mr. SULLIVAN. Only if the law remains as it is, requiring it to be built in an American instead of a foreign shipyard. The only reason for the subsidy is to provide a nucleus of skilled labor and management for facilities for emergency purposes.

Senator KERR. But they do pay 33⅓ percent of the average of the cost of the ships that are built and become your property?

Mr. SULLIVAN. The Government subsidy amounts to in excess of 45 percent today.

Senator KERR. In excesses of 45 percent of the cost of the ships that become your property?

Mr. SULLIVAN. In Japan it would cost 4 million——

Senator KERR. Answer one question before you answer another. Is that correct?

Mr. SULLIVAN. Yes.

Senator MALONE. The weight is still on the horse.

Senator KERR. All right. Then instead of 33⅓ percent he tells me, it is 45 percent; is that approximately correct?

Mr. DEWEY. For the different trade routes. It depends on where the principal——

Senator KERR. Is that approximately correct?

Mr. DEWEY. I stand corrected, if my 33 percent figure is wrong, Senator. This is probably an average figure over a span of years. If the present rate is 45, it is simply that the differential is that the American costs have gone up higher pro rata than the foreign costs.

Senator KERR. I understand, but as of today should we proceed on the assumption that the figure is 33⅓ or 45?

Mr. DEWEY. I suppose it would be better to proceed under the assumption it is 45. It has taken quite a jump.

Senator KERR. All right.

If they pay 45 percent of the cost of construction, and if they pay 50 to 85 percent of the labor costs and then if they pay a percentage of the feeding of the repair and maintenance and insurance and another category, what category of operational expense is there in which the Federal Government does not participate and with reference to which they do not pay a subsidy?

Mr. DEWEY. Oh, there is a whole spectrum of costs, Senator. All your loading costs, actually your stevedore wages, are a larger share of your costs than the seamen's wages. Stevedores, American stevedores are all the same cost whether they work on American ships or foreign-flag ships.

So there is no differential there.

Senator KERR. Do ship operators pay the stevedores?

Mr. DEWEY. The ship owners ordinarily—almost, I would say, 95 percent of the ship owners use contracting stevedores who are separate entrepreneurs who perform the loading function and they pay the longshoremen for the work they do as contractors.

Senator KERR. Well, would it not be safe for the committee to assume if you take into account the cost of the construction, labor costs, feeding, repair and maintenance, insurance and other category that there is certainly a minimum of 50 percent of the overall charge of the operation of your business that is paid for by—that is participated in by the Government?

Mr. DEWEY. I do not think you could make that case, Senator Kerr.

Senator KERR. I am not trying to make a case but just trying to get the facts.

Mr. DEWEY. No, I could not agree to that as a fact.

As I say, the total of the subsidy paid including—if you take this percent figure for wages, and try to balance that against the total operation——

Senator KERR. The total you gave me does not reflect their participation in the cost of building the ships?

Mr. DEWEY. No, we are talking about the operating. There are two kinds of subsidies as you are aware.

There is a construction subsidy and an operating subsidy, sir.

Senator KERR. I am not trying to start a fuss with you, but just trying to get it into the record.

Then what you tell us is that they pay about 45 percent of the construction costs and about 15 percent or more of the operational costs?

Mr. DEWEY. I would say 15 percent or less of the operational costs.

Senator KERR. Of the operational costs?

Now that is to enable you to compete with foreign competition?

Mr. DEWEY. That is inherent in the Merchant Marine Act of 1936.

Senator KERR. But that is the purpose of it?

Mr. DEWEY. That is the purpose, is to promote and develop an American merchant marine as stated in the preamble.

Senator KERR. And permit the American merchant marine to operate in competition with foreign ships?

Mr. DEWEY. To promote the commerce and defense of the country is the language of the American Merchant Marine Act.

Senator KERR. Do you deny it is for the purpose of enabling us to have an American merchant marine to be able to compete with foreigners?

Mr. DEWEY. Handled by foreign entrepreneurs in competition with American entrepreneurs.

Senator KERR. Does that say that in the same language I said?
It is good if we understand each other correctly.

Mr. DEWEY. It does.

Senator KERR. What is there in the merchant marine, in your judgment that should have it set apart as the only industry in America that would be given the subsidies by this Government to enable it to compete with foreign competition?

Mr. DEWEY. Well, Senator, first of all, I am not entirely in agreement that it is the only industry that is subsidized. There are export subsidies on a number of farm products there are——

Senator KERR. What do you think about the textile industry? Do you think it should be treated differently than the merchant marine?

Mr. DEWEY. Senator, I just do not know enough about the textile industry.

Senator KERR. You don't know enough about it?

Mr. DEWEY. I honestly do not.

Senator KERR. As an American and as one who believes in fair play for all, would you favor the same kind of a program by the Government that would enable American textile industry, if that was the only way it could be done, to survive and compete with foreign textile industries?

The same kind of program that is provided in your industry?

Mr. DEWEY. It is a little hard to answer your question because you are talking about an industry that operates within the United States. The ship operator touches our shores only briefly and most of the time is at sea——

Senator KERR. You are an American industry.

Mr. DEWEY. Yes.

Senator KERR. And you don't only fly an American flag but you are under an American umbrella that is made possible by the taxpayers of the United States.

Mr. DEWEY. Well, forced on us by the fact that we must hire American crews, we must hire American insurance companies, and we must hire American shipyards to do our work.

There is a hundred-year history of that kind of circumvention. We cannot buy in the foreign market. We cannot build or man our ships or store them in the world market.

Senator KERR. Can the textile industry hire foreign labor and pay foreign wages?

Mr. DEWEY. No. But the man—put the question again.

Senator KERR. I say can a textile mill down here in Georgia or Massachusetts or Oklahoma hire foreign labor?

Mr. DEWEY. Well, I would not think so, not if they have a union agreement. They would have to hire Americans.

I don't know specifically whether there is any law against hiring——

Senator KERR. You would not want to try to operate one; would you?

Mr. DEWEY. No, I don't think I would, not with a——

Senator KERR. The point I am making is this: You are in the posture here before this committee of representing an industry that is made possible and is permitted to operate because of Government subsidy from 15 to 45 percent of the cost of doing your business in order for you to make a profit, and as I see it, you are opposing Government making provision in this trade agreement not for subsidy for other American industries, but for an environment in which they also can profitably operate and I think that you should take into consideration the general principle of fair play and no discrimination against or for one group in our entire economy and recognize the fact that people in other industries want to survive, too. They want an environment in which they can operate at a profit also, and they do not come here asking for a subsidy of from 15 to 45 percent of total costs of their doing business to enable them to stay in business. What they are asking for is protection against the same foreign competition that you are protected from, not by giving other industries a bonus to the extent that your industry gets it but by giving other industries other form of protection to enable them to survive and operate at a profit, and you ought to bear that in mind as you come here with your evidence, in my judgment.

Mr. Dewey. Thank you, Senator. I certainly will bear it in mind. But I do think that perhaps my position has been misconstrued. I am not advocating lower tariffs or higher tariffs or anything else.

I am advocating a scheme of negotiation where parties who have the injured position to express bring it forth in an atmosphere of negotiation with the Tariff Commission.

This framework has within it the seeds of all of the recompense for any industry that we achieved by congressional act in 1936.

I am arguing for the framework of negotiations through which and in which all of the points you raise, I sincerely agree that there are many industries whose injury must be brought to the attention of the Government there must be some where they can get recompense. I see in the tariff act the opportunity for that recompense. If it has failed, it is a case of whether you burn down the house to kill the rats or whether you go after the places where it has failed.

I am not enough of an expert in each individual place. Every industry has a different impression of where it may have failed. What we really, it seems to me, are talking about is a framework in which foreign trade is conducted in which injured industries can come before a body of experts and plead their case and this is the kind of system that we are advocating be continued.

If it has bugs in it, if somebody is not getting a fair deal, then that should be treated with on its merits.

But the whole thing that we seem to be talking about in this legislation is whether the framework is to be continued or not. And we advocate the continuations of the framework for this kind of negotiation in international trade.

Senator Kerr. I understood you were advocating the passage of the bill as passed by the House?

Mr. Dewey. Which is a 5-year extension of the program; yes, sir.

Senator Kerr. All right.

The Chairman. Mr. Dewey, I would like to ask you a question. Have the various payments been increased or decreased?

Mr. Dewey. Various what, Senator?

The Chairman. The various payments from the Federal Government.

Senator Kerr. Subsidies.

The Chairman. Subsidies.

Mr. DEWEY. They have increased in the number of companies involved and they have increased in the amount.

The CHAIRMAN. I mean percentagewise. Take 45 percent for construction, has that been increased in recent years?

Mr. DEWEY. It's gone from 33 to 45 during the life of the Merchant Marine Act. In the early days, it was low and now it is high.

The CHAIRMAN. Does that apply percentagewise to the other subsidies that you received?

Mr. DEWEY. I believe it has, whether it is to that degree or not.

Senator KERR. It is now from 50 to 72, labor. Is that now higher?

Mr. DEWEY. It is a higher percentage than it used to be because foreign seamen have not had the percentage increases that our men have had.

The CHAIRMAN. Could you furnish the committee with a statement of the percentage increases in subsidies?

Perhaps the fifth subsidy that you were unable to mention, was in the field of taxation.

Mr. SULLIVAN. No.

Mr. DEWEY. No, Senator.

The CHAIRMAN. Do you regard that as a subsidy?

Mr. DEWEY. No.

The CHAIRMAN. You have special tax treatment that no other business has.

Mr. DEWEY. Well, not all merchant ships, Senator. It is less than a third of our merchant fleet have the tax privileges to which you refer.

The CHAIRMAN. What is that tax privilege?

Mr. DEWEY. Well, there is a set-aside of reserves in a tax deferred status which so long as they are plowed back into ship construction and ship construction only, remain in a deferred status. The Government gets its recompense through a reduced depreciation base on a vessel built with these deferred funds.

The CHAIRMAN. In other words, you are permitted to make deductions from your income tax for expenditures which have not been made?

You are permitted to put them in a trust fund or whatever you may call it and deduct it from your current expenditures, may you not?

Mr. DEWEY. That is the effect of it, Senator.

The CHAIRMAN. And you say——

Mr. DEWEY. It is an inducement to stay under the American flag and amass enough money to replace the ships you are operating under the American flag.

The CHAIRMAN. When you set up this depreciation allowance, do you take the figure of actual cost to the owner of the ship or do you take the construction costs?

In other words, do you include the subsidy paid to the shipbuilder?

Mr. DEWEY. If Mr. Sullivan would care to answer it, he may have some particular knowledge.

Mr. SULLIVAN. Costs to the owner, not the cost of the price of the ship. For example, a ship costs \$10 million to build here, \$4½ million to build in Japan, the cost base of the ship for depreciation purposes is \$5½ million.

The CHAIRMAN. In other words, if you build a ship, the shipyard receives 45 percent of the payment direct from the Government?

Mr. SULLIVAN. And in that case, 55 percent would be the depreciation cost.

The CHAIRMAN. And 55 percent would be the depreciation.

What percentage of the merchant marine has this special tax privilege and what does not? Where is the line drawn?

Mr. DEWEY. We have about a thousand ships in the American merchant marine, of which at the present time slightly over 300 have been deemed eligible for the Maritime Administration for the subsidy program.

They are another 120 ships perhaps, which, by reason of their nature of operations, would be eligible but have not yet been granted a subsidy.

Some of the owners of those ships are now in, asking for subsidy. They cannot survive without it. They have tried and can't make it.

The CHAIRMAN. I am speaking of this taxation subsidy, is that what you are talking about?

Mr. DEWEY. A little over 40 percent of the present American-flag fleet is eligible for the tax——

The CHAIRMAN. Where is the line drawn?

Mr. DEWEY. The line is drawn between those ships which operate in what are known as essential trade routes, and operating in dry-cargo-only trades.

They operate on a fixed schedule between named stipulated ports. They serve the American commerce on a routine day-to-day basis on a committed basis.

They must make a certain number of sailings per year in order to guarantee our export-import trade, that kind of service in that trade route, for that year and it is only those ships——

Senator JENNER. It is sort of like a common carrier?

Mr. DEWEY. In a sense, Senator, what you are really talking about is the common carrier in the deepwater ocean trade, in foreign service.

The CHAIRMAN. Are all the subsidies given on the same basis?

Mr. DEWEY. Well, they all—they are administered by the Maritime Administration under the same statute, yes.

The CHAIRMAN. Is a labor subsidy different from this tax subsidy? Do the same vessels get it?

Mr. DEWEY. Yes.

Senator KERR. More vessels get the labor subsidy than get the special tax treatment; don't they?

Mr. DEWEY. No, it applies to the same vessels. It is the same vessels.

The CHAIRMAN. It is the same vessels, as I understand it.

Senator KERR. Are they the only vessels that get the labor subsidy?

Mr. DEWEY. That is right, Senator. In other words, all of our direct subsidies and most tax incentives, all apply to this same hard core of the common carrier fleet in the international trade serving our ports.

Senator JENNER. Well, who does not get it, that might help?

Mr. DEWEY. Tankers, coastwise and intercoastal vessels, industrial carriers engaged in importation of ores, perhaps, and the tramp vessels of which there are some 50 or 60 in number.

They operate on an opportune basis wherever the cargoes offer themselves.

They are not eligible, and the total of that group of ships would come very close to 550.

Senator JENNER. Of course, a part of the merchant marine is for the defense of this country, isn't it kind of the fourth arm of our defense, the merchant marine?

Mr. DEWEY. That is correct.

Senator JENNER. Why wouldn't those hauling ore and metal and so forth be in the same category as common carriers supplying commercial trade?

Mr. DEWEY. Senator, our organization has been before the Merchant Marine Committee as late as last Tuesday, seeking extension of the incentives that are available to the now subsidized ships, and extending to carriers such as you have described.

It is long overdue.

Senator JENNER. I am sorry, Mr. Chairman, I am out of turn, I forgot.

The CHAIRMAN. Mr. Dewey, you are going to furnish the committee, as I understand it, with a complete statement so far as you are able to do it, as to these various incentives or subsidies, the types of vessels to which they are given.

These tax subsidies are given to the same vessels that get the subsidies for labor, insurance and construction, and so forth; is that right?

Mr. DEWEY. That is right, Senator.

Mr. SULLIVAN. May I make one statement? I would like for the committee to really understand that the subsidy paid for building the ship goes to the shipyard, not to the ship operator.

The CHAIRMAN. We understand that, sir, but as Senator Kerr says, you get the ship.

Mr. DEWEY. We could buy the ship in Japan or Germany or anyplace else for the same price, but this figure of 45 percent of the operating costs being paid for by the Government is not true, because more than half of the money appropriated by Congress goes to the shipyard for building a ship which has to be built here by law.

So we could buy the ship someplace else so operating costs——

The CHAIRMAN. You have only given one activity so far that is not subsidized and that is the stevedores, that is all I heard.

Mr. DEWEY. That is what I enumerated, I started——

The CHAIRMAN. I would like a written statement showing that part of the activities of the merchant marine that are not subsidized.

Mr. DEWEY. I would be glad to furnish this.

The CHAIRMAN. And also those that are subsidized.

Senator KERR. And the percentage of total operating costs that that represents.

The CHAIRMAN. Also show the percentage of increase that has occurred since 1930.

Thank you very much.

Senator DOUGLAS. Mr. Chairman, I would like to ask some questions.

I don't want to add to the embarrassment of the witness, but do I understand that you are in favor of subsidies for the operation of ships, but opposed to tariffs on manufactured goods; is that correct?

Mr. DEWEY. Senator, I don't think that is correct; no.

Senator DOUGLAS. You are in favor of tariffs?

Mr. DEWEY. I am in favor of tariffs that are justified according to the negotiations that take place by people who know something about it.

I would be in no position to say what tariffs should be——

Senator DOUGLAS. You get a direct subsidy. The tariff is an indirect subsidy so you are not opposed to subsidies, then.

Mr. DEWEY. I would be in a paradoxical position if I were opposed to subsidy.

Senator DOUGLAS. I think you are in a paradoxical position, my friend. You are in favor of direct subsidies to shipping.

Mr. DEWEY. Yes, Senator.

Senator DOUGLAS. Are you in favor of indirect subsidies to manufacturing?

Mr. DEWEY. Well, without knowing exactly what kind you are talking about, Senator, I don't know how to answer the question.

Senator DOUGLAS. The principle.

Mr. DEWEY. The principle of indirect subsidy?

Senator DOUGLAS. Mr. Chairman, I don't think I am being unfair if I ask the witness to answer the question.

Are you in favor of indirect subsidies for manufacturing?

Mr. DEWEY. Well, Senator, that is a little broad to answer categorically.

Senator DOUGLAS. I know but——

Mr. DEWEY. I don't know what industry——

Senator DOUGLAS. You see that is what is behind this whole dispute.

The protectionists want higher tariffs in order that the domestic market may be filled to a larger degree by domestic production.

That is what is behind all this boxing back and forth, and you say if that is done that will shrink the volume of foreign trade and, therefore, you won't carry as much in your ships.

Now I happen to be in favor of low tariffs, and I make no bones about it.

But I think you are in a highly inconsistent position, very frankly.

When you come into court, you have got to come with clean hands, that is the principle of equity.

Now, you are in favor of subsidies for the construction of ships and the operation of ships. Are you for tariffs which are indirect subsidies for manufacturing?

Mr. DEWEY. Tariffs that are indirect subsidies to manufacturing?

Senator DOUGLAS. Certainly that is what they are. They are paid not by the Government, but by the consumer.

Mr. DEWEY. Well, we are back where we were before.

Senator DOUGLAS. Yes; but I haven't had an answer from you yet. Is it that you are for subsidies for yourself, but not for subsidies for others?

Mr. DEWEY. Please, I think I have said very categorically, Senator, we have no views as to what the level of the tariff should be, whether it should be——

Senator DOUGLAS. Now, suppose the tariffs were increased; would you welcome that?

Mr. DEWEY. If it were justified in the framework set up in the reciprocal trade-agreements program, how could we be otherwise than be satisfied with it? We are not experts enough to know what level tariffs should go to.

Senator DOUGLAS. Do you think you need higher subsidies yourself?

Mr. DEWEY. I guess that the subsidy program is set forth in the Merchant Marine Act.

Senator DOUGLAS. Well, didn't you help pass the Merchant Marine Act?

Mr. DEWEY. I was not around.

Senator DOUGLAS. Would you favor the repeal of the Merchant Marine Act?

Mr. DEWEY. Well, I would favor Congress——

Senator DOUGLAS. Would you favor decreasing the subsidies under the Merchant Marine Act? But the manufacturers can then come in and say, "Our industry is essential to the national defense," just as much as you can.

Mr. DEWEY. Haven't they that privilege to make that finding?

Senator DOUGLAS. But you are now coming in here and saying what you believe in is expanded world trade.

Mr. DEWEY. Indeed, we do.

Senator DOUGLAS. If you have expanded world trade, you have to admit some more foreign goods into this country.

Mr. DEWEY. Indeed.

Senator DOUGLAS. And some industries will say, "We are going to be hurt by this."

Mr. DEWEY. And you are asking me, would I object to those industries seeking——

Senator DOUGLAS. And obtaining——

Mr. DEWEY. And obtaining something that will——

Senator DOUGLAS. Restrict that.

Mr. DEWEY. Restrict or hurt it otherwise coming in. No; I would not object to their coming in and seeking redress of some sort.

Senator DOUGLAS. And you would not object to having it given to them?

Mr. DEWEY. On a proper showing made——

Senator DOUGLAS. If any industry is hurt or any producer is hurt, then the tariff should be raised to protect that producer.

Mr. DEWEY. I could not object to that.

Senator DOUGLAS. Then, really, you are a protectionist. You are a protectionist. You are a protectionist for yourself, because you want a cash subsidy; you are a protectionist for others, because you want them to have an indirect subsidy.

Mr. DEWEY. Senator, I don't know whether I am a protectionist or whether I am a freetrader; I know I am somethere in between, but it seems to me we are talking about a framework for negotiation of tariffs, and that is——

Senator DOUGLAS. You can't discuss framework without its relationship to principles. Now, let me ask you another question.

Suppose, under the Tariff Act, we have quotas imposed on the importation of Japanese goods, textiles, flatware, chemicals, machine tools, and so on; would you be in favor of that?

Mr. DEWEY. Quotas?

Senator DOUGLAS. Quotas, yet; not tariffs, but quotas, limiting the amounts of these goods to be introduced. We have informal quotas which we have high-pressured the Japanese Government into putting into effect already.

Mr. DEWEY. Well, I can be consistent in this answer, Senator. We have no quotas on merchant shipping. Any foreign-flag ship operator that wants to arrive at our shores and begin operation can do so.

Senator DOUGLAS. Wait a moment. You want to jump ahead. I want to take you on the first step. Are you opposed to quotas on importation of Japanese goods, formal or informal?

Mr. DEWEY. Yes.

Senator DOUGLAS. You are? Well, then, I take it you are in favor of the repeal of the 50-percent provision; namely 50 percent of all foreign aid must be carried on American bottoms.

Mr. DEWEY. That only goes to tax-financed business.

Senator DOUGLAS. I understand. But that is a subsidy paid for by the American taxpayer. He has to pay more in order to ship in your ships, and that deprives foreign shipping; so you will join me in repealing that 50-percent provision, will you?

Mr. DEWEY. Well, Senator, we might be on the other side of the fence from each other.

Senator DOUGLAS. Now, this is the point, very frankly. Consistency in this world is very hard to obtain. I know that.

Mr. DEWEY. Yes.

Senator DOUGLAS. But I do think that you are just absolutely inconsistent. You are for what benefits your industry, and then that is all.

Mr. DEWEY. Well, now——

Senator DOUGLAS. On this same basis, on this same basis, all the others are equally justified.

Mr. DEWEY. I certainly couldn't come in and oppose this legislation, Senator. I am here advocating it——

Senator DOUGLAS. You are opposing the efforts of my protectionist brethren to raise the duties.

Senator JENNER. You are pointing in the right direction. [Laughter.]

Senator DOUGLAS. All I want to say is this; I respect them; they are consistent; I respect them. But I must say it is highly inconsistent for you to come in wanting low tariffs for everybody else and no quotas on other things, but demanding quotas for yourself and subsidies for yourself.

Now, I know it is your employers who have put you in this fix, and not you, and so I apologize for making it rough on you. But if we can point up this principle, it is very important, and I think one of the troubles in this whole problem is that each group thinks only of itself, and the national interest gets pushed into the background.

Senator MALONE. Mr. Chairman——

Senator LONG. Mr. Chairman, if we are going to start a second round.

Senator MALONE. You go ahead.

Senator LONG. This witness has been abused, in my judgment. I thought the chairman was going to defend him because of the great port of Norfolk in Virginia. I did want to ask one question about the merchant marine. I don't share some of the views.

The CHAIRMAN. I would say, to the Senator from Louisiana, the Chair did not abuse the witness.

Senator LONG. I thought the Chair was going to defend him. Instead, the Chair wants another detailed list.

The CHAIRMAN. I think that is what this committee is for, to get information.

Mr. DEWEY. I think the Chair has been very fair about it.

The CHAIRMAN. I don't want that to go uncontradicted.

Senator LONG. I am afraid my language was misunderstood. I thought the Chair was going to put Humpty Dumpty back on the wall again. [Laughter.]

The CHAIRMAN. I just wanted the whole picture presented in the record.

Senator Jenner, you have got the tail end down there.

Senator JENNER. Mr. Chairman, I am going to take a minute or two, I have not taken much time of this committee and do not propose to, but I think we are getting into a lot of trouble here because we have departed from the basic fundamentals of our Government, and I think this witness typically shows when you go out here to try to do special things for special people that you are in deep waters. I just want this for the record, and I want this in the record.

I am quoting from a pamphlet here by Dean Clarence E. Manion which says:

> By its own terms, the Constitution of the United States is the supreme law of the land. All United States Senators and Representatives have taken a solemn oath to support it as such. The President's single sworn duty is to "preserve, protect, and defend the Constitution."
>
> Whoever reads the simple language of this great document cannot avoid the impression that these official obligations to support and follow it are now "more honored in the breach than in the observance."

And that is where we are when we are discussing this reciprocal trade agreement.

He says:

> The Constitution builds a firm limitation around the power of every public officer. This constitutional circumscription of public authority is the very definition of our freedom. In spite of a widely prevailing impression to the contrary, there are no emergency escape hatches in the walls of this constitutional confinement.
>
> Through fire and flood, war and peace, boom and bust, the Constitution continues to govern as it is written and all of its officers solemnly swear that its dominion shall be forever undisturbed.
>
> If this is so, why should Congress now seek to perpetuate activities that flagrantly violate constitutional commands, and why does the President insist that Congress do so? This is what is happening in the current effort to extend the so-called Reciprocal Trade Agreements Act.
>
> The President tells us now that we need this measure to strengthen our common defense against communism. Back in 1934, another President said we needed it to overcome an economic depression. In the years between, everything has been cited to support and perpetuate this Presidential management of our foreign commerce—everything, that is, except the Constitution of the United States.
>
> To get perspective, we will have to back up to the beginning. When Congress convened in 1933, it was in an understandable hurry to ease the severe pains of the great depression. One of its first official performances was the National Industrial Recovery Act, popularly known as NRA.
>
> This measure gave President Roosevelt an extraordinary power to approve binding codes of fair competition for a variety of industries. Normally, Congress itself would have set up these codes in the form of statutes governing the described business practices.
>
> From the beginning of our Government under the Constitution, Congress had exercised its prescribed powers in this direct way.

Nevertheless, in its haste to meet the emergency and because Mr. Roosevelt urged it to do so, Congress quickly delivered the NRA code-making job into the hands of the President.

In 1935, the Supreme Court nullified NRA as an unconstitutional delegation of Congressional power (*Schechter* v. *United States*, 295 U. S. 495).

The High Court's decision was unanimous. It stressed a basic principle of constitutional law, namely, Congress cannot delegate its own constitutional duties and responsibilities to anybody, and, as one Justice (Cardozo) described it, NRA was an example of such "delegation running riot."

Before this decision was rendered, Congress had passed the Trade Agreements Act of 1934—

and now we are being asked by this legislation to extend it for 5 more years.

In 1934, in which the NRA formula of delegation was followed into the field of foreign commerce.

In other words, the NRA put in domestic business delegation of powers which Congress had the responsibility for, so now along comes this bill and extends it to foreign commerce, the same thing.

The new foreign trade law soon became known as the Reciprocal Trade Agreement Act, although Congress did not call it that and reciprocity has certainly not been featured in the law's accomplishments.

We have had thousands and thousands of examples that there is no reciprocity about it.

Like NRA, the Trade Agreements Act was pressed upon Congress as "an emergency remedy for emergency conditions." Congress has exactly the same responsibility in the field of interstate commerce that it has in the area of our commerce with foreign nations.

A change by the President in the import duty on any article is applied not just to such items entering the United States from the country which is the other party to the agreement, but to all such items therafter imported from all countries.

This kind of "reciprocal trade" thus mans that, by one agreement with a single country, the President can and does change the general United States tariff level, in spite of the fact that the Constitution expressly gives to Congress, and only to Congress, the "power to lay and collect taxes, duties, imposts and excises." (Art. I, sec. 8, United States Constitution).

How we can sit here day after day in hearings after taking a solemn oath to defend that Constitution and deliberately pass and delegate thes rights away, I don't know.

I say this, Mr. Chairman, we are destroying this country, because we are departing from the basic fundamental laws that made us a great nation. I am leaving this body, but I am not going to leave until I have my say on these baisc fundamental things. You can see how far afield we are going, because we have departed from the Constitution.

He further says:

But, this is by no means the full dimension of unconstitutional power now exercised by the Federal Executive as a result of this delegated congressional authority. Pursuant to the Constitution, treaties are negotiated by the President and ratified by the vote of two-thirds of the United States Senate. Since the passage of the Trade Agreements Act, our State Department may use and has used these new trade negotiations to modify or suspend a formal constitutional treaty that has been previously negotiated by the President and then ratified by two-thirds of the Senate (e. g., art. II, United States trade agreement with Columbia).

This diplomatic short circuit is called an "executive agreement." All of the trade pacts made pursuant to the 1934 act have been treated by the State Department as such executive agreements.

And there are thousands of them in existence, and not a Member of this Congress knows what they are.

Please remember that these are not submitted to the Senate for ratification, but, by the decisions of our courts, they are now none the less binding upon the country (*U. S. v. Pink*, 315 U. S. 203).

Between 1934 and 1947, all of these new trade pacts were bilateral; that is, each was negotiated between the United States and one other country. It is obvious from the early history of its administration that bilateral negotiations and bilateral agreements were all that was contemplated when the trade agreements law was passed.

Isn't that correct?

Senator MALONE. That is correct. Every word you say is correct.

Senator JENNER. What has happened?

After World War II, however, it was a different story. By that time our internationalist diplomats had developed a fixation for multilateral international pacts, organizations and associations in which many nations were involved and which could be used as steppingstones to an ultimate international world government.

If you are going to erase and equalize all of these discriminations and if you are going to lift everybody up to our level or we are going to come down to their level, that is exactly the way you are going to have to proceed with a world government and if you iron out these difficulties you won't need subsidies and nobody will need protection in this country and the whole standard of the world will be on the same level and we will all be in the same boat.

But you can't have your cake, gentlemen, and eat it too.

In 1946, our State Department came forth with plans for a proposed "International Trade Organization"—

and I have heard witnesses sit here in this hearing and deliberately say "We need it, we are for it." They do not know why. They don't know a thing about it, what it will do to their country or to their standard of living but they are pounding these cliches, these phrases that are being brainwashed, throughout this country and brainwashing the American people.

In 1946, our State Department came forth with plans for a proposed "International Trade Organization" with an essential underlying feature called a General Agreements on Tariffs and Trade. This so-called ITO languished when it was submitted to Congress, which properly refused to swallow this organization's supranational enforcement machinery.

However, GATT, the underlying organization, fared better because it was not and probably never will be submitted to congressional scrutiny. GATT was signed by our State Department's Director of International Trade on October 30, 1947: whereupon, President Truman proclaimed that then and thereafter the United States was and would be bound by all of GATT's unprecedented schemes for international planning and trade regulation.

At the same time, the President, for and in behalf of the United States, accepted all of the tariff concessions that were a part of GATT's original negotiation.

Mr. Chairman, I am still reading.

You will observe that this Presidential proclamation changed the whole range of our duties and imports which the Constitution empowers Congress, and only Congress, to change.

But, President Truman's GATT proclamation did much more than that. It handed jurisdiction over tariffs and other precious areas of our foreign and domestic commerce to the tender mercies of GATT, a foreign Socialist organization whose proceedings are conducted in secrecy and in which the United States has but 1 of the 37 possible votes.

You will never win that ball game either.

If the NRA, in which constitutional power went from Congress to the President, was unconstitutional "delegation running riot," then what can be said of constitutional power that is delegated by Congress to the President, and then redelegated by him to an association of foreign governments dedicated to the leveling of world living standards and a redistribution of the world's wealth?

That is where you are going in this thing.

GATT contemplates that its decrees will ultimately be policed and enforced by an appropriately muscled international tribunal. Drawn to these specifications is the new Organization for Trade Cooperation, "OTC," which has already been advanced as President Eisenhower's climactic contribution to the international government of our foreign and domestic commerce which, before him, President Truman, with our adherence to GATT, so nobly advanced.

When GATT gets this enforcement machinery—

and the way we are going they are going to get it just as sure as day follows night, because we are departing from our solemn oath when we said we would support and defend and protect the Constitution of the United States—

the resulting impact upon our domestic affairs is certain to be loud and painful.

We won't be worrying about flatware, Japanese textiles, and little glass, but you will be worrying about the whole thing.

Aside from import duties and international shipments, GATT is designed to regulate many areas of our domestic economy, including such things as a price-control system, rates of domestic exchange for foreign currency, our fair share of the world's raw materials and the proportion of our domestic market that should be supplied by foreign producers.

There are at least 15 important Federal statutes that are in apparent conflict with GATT. These laws include the Agricultural Adjustment Act, the Clayton Antitrust Act, the Internal Revenue Code, and last but not least and most ironically, the Trade Agreements Act of 1934, as amended, which brought us to GATT in the first place.

Under persistent prompting and pushing by the President, Congress now proposed to extend this Trade Agreements Act which binds us to GATT, which, in turn, directly threatens the jurisdiction of the Trade Agreements Act and 14 other congressional statutes. Nobody in Washington proposes to repeal those statutes.

For patriots and taxpayers it is dispiriting and depressing, if not demoralizing, to see so many of our honorable Congressmen and Senators chasing their own political coattails in such an obviously vicious circle of internationalist intrigue. If these plodding politicians would pause in their muddled milling, they might hear the reechoes of this good advice from one of their distinguished predecessors, Senator Daniel Webster:

"When the mariner has been tossed for many days in thick weather and on an unknown sea, he naturally avails himself of the first pause in the storm * * * the earliest glance of the sun * * * to take his latitude and ascertain how far the elements have driven him from his true course. Let us imitate this prudence and, before we float further on the waves of this debate, refer to the point from which we departed, that we may at least be able to conjecture where we now are."

The point from which you departed, My dear Senators and Congressmen, is the Constitution of the United States. It is unnecessary for you to weigh the hypothetical benefits of free world trade against the established benefits of the American standard of life and living.

It is necessary merely for all of you to read the Constitution which you have sworn to support and from which you have departed. This is all you need to do in order to vote conscientiously to kill this misnamed "reciprocal trade" bill and its monstrous un-American Internationalist appendages.

This article says:

Tell your Senators and Congressmen that they are not expected to do everything that the President tells them to do. Tell them they are expected to do

what they have sworn to do; namely, support the Constitution of the Unied States.

Mr. Chairman, I do not think any better advice could be given to this committee, and I am just simply tired of people coming in here with self-serving statement and repeating cliches and brainwashing the American people, tying it up with our economy, tying it up with Congress, and tying it up with everything.

Now this gentleman here testifying, I am not here to abuse him or demean him but you have some figures here that intrigue me.

You say on page 2:

In viewing the testimony thus far it would seem clear that the Congress has the simple choice of protecting the job security of 4 million Americans who live off of exports achieving this according to the proven formula of reciprocity or to step backward—

It is a beautiful word, isn't it, "step backward"—

into a volatile system of regional distated tariffs to protect the job security of only 200,000 workers in injured industries.

Will you give me the industries where only 200,000 people have been injured?

Mr. DEWEY. Senator, I cannot cite the specific industries.

Senator JENNER. You cannot?

Mr. Dewey, will you give me the specific industries where there are 4 million Americans who have got a job as a result of this reciprocal trade agreement and exports?

Mr. DEWEY. I am calling upon the study made by the Department of Commerce in citing these figures.

Senator JENNER. I would like this information brought before this committee in detail. For example, I pick up last evening riding in on a plane from Indiana an article from the U. S. News & World Report, further advocating the reciprocal trade agreement, going all over the country, every magazine, every article practically you read and they were even so detailed that they had exact amounts of money that each State gets from this great reciprocal trade program, and my State got $9 million.

Mr. Chairman, I think this information is essential to this committee before we can intelligently act and I want to know what industries in my State get $9 million out of the extension of the Reciprocal Trade Act, and I don't see why anyone is advocating that or any necessity for extending any kind of program for 5 years.

Has anybody justified that, Mr. Chairman; who has been here as a witness?

The CHAIRMAN. Testimony has been given and I hesitate——

Senator JENNER. Has it been justified?

The CHAIRMAN. I dislike very much to interrupt the Senator, but the committee adopted a 20-minute rule for each Senator to question the witnesses, and the Senator has somewhat exceeded it.

I am wondering if he could not make a list of the information he wants or ask it of some other witness.

Senator JENNER. I was not here, Mr. Chairman, when we made that rule. I don't know why we have this rule because, Mr. Chairman, there is a bill that should be kept in this committee until the bells ring [laughter] because any man who is a Senator of the United States has taken an oath to live up to the Constitution, cannot in good conscience sit here and deliberately destroy his country in violation of his oath.

The CHAIRMAN. I am anxious for the Senator to get all the information he can, and he desires and if he will make a list as to other questions—I don't imagine this witness——

Senator JENNER. I will list the information.

I want to know where they get these facts. Here is a man who sits here and testifies and I am supposed to sit here and listen to it. He says there are 4 million people in my country making a living out of the export-import business of this country. But there are only 200,000 injured by this business.

I want the facts and the proof. Where do they get it?

The CHAIRMAN. Well the witness——

Senator JENNER. By the way, where do your ships travel?

The CHAIRMAN. Will the witness furnish those facts?

Mr. DEWEY. I will, together with the particular source.

(The information is as follows:)

PACIFIC AMERICAN STEAMSHIP ASSOCIATION,
Washington, D. C., July 2, 1958.

Hon. HARRY FLOOD BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: During the course of my testimony on H. R. 12591, Trade Agreement Extension Act of 1958, your committee requested that I furnish additional data. Following is the information requested:

Title VI of the Merchant Marine Act of 1936 authorizes the Federal Maritime Board to pay operating-differential payments for the "operation of a vessel or vessels, which are to be used in an essential service in the foreign commerce of the United States."

Section 606 (6) reads as follows: "that the contractor shall conduct his operations with respect to the vessel's services, routes, and lines covered by his contract in the most economical and efficient manner, but with due regard to the wage and manning scales and working conditions prescribed by the Commission as provided in title III;"

Section 606 (7) limiting purchases to the United States' products reads as follows: "that whenever practicable, the operator shall use only articles, materials, and supplies of the growth, production, and manufacture of the United States, as defined in section 505 (a) herein, except when it is necessary to purchase supplies and equipment outside the United States to enable such vessel to continue and complete her voyage, and the operator shall perform repairs to subsidized vessels within the continental limits of the United States, except in an emergency."

Section 607 (b) with respect to funds exempt from taxation, reads in part as follows:

"To insure the prompt payment of the contractor's obligations to the United States and the replacement of the contractor's subsidized vessels as may be required, the contractor shall create and maintain, out of gross earnings, during the life of such contract, a 'capital reserve fund,' in such depository or depositories as may be approved by the Commission. In this fund the contractor shall deposit annually or oftener, as the Commission may require, an amount equal to the annual depreciation charges on the contractor's vessels on which the operating differential is being paid."

Section 607 (c) on this same subject reads in part as follows:

"To attain the public objects for which the financial aid provided for in such contract is extended and to insure the continued maintenance and successful operation of the subsidized vessels, the contractor shall create and maintain, during the life of such contract, a 'special reserve fund' in such depository or depositories as the Commission shall approve."

From the above it is clear that only dry-cargo vessels engaged in the foreign trade of the United States serving essential trade routes of the United States are eligible for operating-differential payments. Also the excerpts from section 607 explain the limited use of funds which are exempt from taxation for the purpose of replacement of subsidized vessels and fulfilling the objectives of the Merchant Marine Act, 1936.

With respect to the specific cost items which are subsidized, section 603 (b), Merchant Marine Act, 1936, reads in part as follows:

"Such contract shall provide that the amount of the operating-differential subsidy shall not exceed the excess of the fair and reasonable cost of insurance, maintenance, repairs not compensated by insurance, wages and subsistence of officers and crews, and any other items of expense in which the Commission shall find and determine that the applicant is at a substantial disadvantage in competition with vessels of the foreign country * * *."

The following table shows the breakdown on items of subsidizable expense for the year 1957, the latest figures available:

Items of subsidizable expense for 1957

	Domestic cost	Percent	Subsidy accrual	Percent
Wages	$163,223,116	72.1	$117,606,514	83.3
Insurance	26,034,200	11.5	12,706,586	9.0
Maintenance and repair	24,675,894	10.9	7,059,215	5.0
Subsistence	12,451,139	5.5	3,811,976	2.7
Total	226,384,349	100.0	141,184,291	100.0

With respect to the question concerning the increase in subsidy cost, no such figures are available from the year 1930, which was the date mentioned at the hearings. The implementation of the Merchant Marine Act of 1936 was well underway by 1938, but the war interfered with the obtaining of accurate data useful for evaluation purposes on this subject; therefore, in the following table I have shown data from the immediate postwar years to the present.

Calendar year	Voyages	Subsidy payable	Calendar year	Voyages	Subsidy payable
1947	476	$3,927,732	1955	1,557	$104,377,721
1948	1,017	17,686,880	1956	1,655	106,799,677
1949	1,242	30,529,601	1957	1,729	113,502,054
1950	1,292	47,330,921	1958	1,840	115,663,687
1951	1,303	47,038,183	1959 (6 months)	923	58,544,164
1952	1,336	64,023,917			
1953	1,517	94,957,255	Total	17,334	911,345,802
1954	1,447	106,969,010			

With respect to the question concerning the percentage of operating cost represented by subsidy, figures for the year 1956, the latest available, show that the subsidy payable amounted to 19.8 percent of the total operating expenses of all subsidized steamship lines.

As I interpret the request of the chairman for information concerning these various subsidies, as to what type of vessels to which they are given, I feel that the following information, in addition to the above, with respect to the construction-differential payments which go to the shipyard, will be helpful:

Section 501 (a), Merchant Marine Act, 1936, in part, reads as follows:

"Any citizen of the United States may make application to the Commission for a construction-differential subsidy to aid in the construction of a new vessel to be used in the foreign commerce of the United States. No such application shall be approved by the Commission unless it determines that (1) the plans and specifications call for a new vessel which will meet the requirements of the foreign commerce of the United States, will aid in the promotion and development of such commerce, and be suitable for use by the United States for national-defense or military purposes in time of war or national emergency;"

Section 501 (b) and (c), in part, reads as follows:

"(b) The Commission shall submit the plans and specifications for the proposed vessel to the Navy Department for examination thereof and suggestions for such changes therein as may be deemed necessary or proper in order that such vessel shall be suitable for economical and speedy conversion into a naval or military auxiliary, or otherwise suitable for the use of the United States Government in time of war or national emergency. If the Secretary of the Navy approves such plans and specifications as submitted, or as modified, in accordance with the provisions of this subsection, he shall certify such approval to the Commission.

"(c) Any citizen of the United States may make application to the Commission for a construction-differential subsidy to aid in reconstructing or reconditioning any vessel that is to be used in the foreign commerce of the United States."

Section 502 (b) states that the Commission may approve an allowance not to exceed 50 percent of such cost. Thus, Congress has provided that the construction-differential subsidy payable to the shipyard may not exceed 50 percent of the cost of the vessel, less the cost of defense features.

I was also asked to indicate the source of employment statistics contained in my statement.

1. The source of these data is the staff papers presented to the Commission on Foreign Economic Policy, commonly referred to as the Randall Commission (pp. 373 through 384). The figures were developed by the Department of Agriculture and the Department of Labor in 1954, and the breakdown at that time showed:

	Employees engaged in foreign trade
Nonagricultural	2,150,000
Agricultural	976,000
Transportation and distribution	450,000
Manufacturing	800,000
Total employment in foreign trade	4,376,000

Using the same formula, in 1958, this total figure increased to 4½ million employees.

2. The reference to the job security of 200,000 employees is an estimate of the number of United States employees producing goods equivalent to the estimated increase in imports which would take place in the event of a temporary suspension of tariffs. I understand that the Bureau of Labor Statistics, Department of Labor, agrees with this estimate.

Again I want to thank the committee for the courtesy extended to me in the presentation of our testimony supporting an extension of the Trade Agreements Act.

Very truly yours,

RALPH B. DEWEY, *President.*

Senator JENNER. Where do they travel?

Mr. DEWEY. They operate from the Pacific coast to all ports of the world.

Senator JENNER. All right. Will you tell this committee what percentage of the total national productivity of this Nation is going in the export trade of this country?

Mr. DEWEY. The total national productivity?

Senator JENNER. Yes; what percentage of our total economy goes into export trade?

Mr. DEWEY. I am informed from the Department of Commerce figures that about 10 percent of the movable production of the United States enters into export.

Senator JENNER. About 10 percent. That is the total productivity of this United States?

Mr. DEWEY. Senator, I am not completely familiar with that figure, but I guess it is over $400 billion a year.

Senator JENNER. What would 10 percent of 400 billion be?

Mr. DEWEY. Forty billion.

Senator JENNER. Forty billion dollars. Do you know what percent of that is in trade with Canada?

Mr. DEWEY. I am not familiar with that figure.

Senator JENNER. Do you know what percent of it is in trade with South America?

Mr. DEWEY. No, sir.

Senator JENNER. You must be acquainted with what percentage of it is in trade in the Pacific.

Mr. DEWEY. I am not acquainted with it.

Senator JENNER. How do you expect the committee to intelligently act without information?

Mr. DEWEY. I had not prepared my testimony in the direction in which you have been interrogating.

Senator JENNER. Mr. Chairman, I do not care to go on and bother this witness but I just think we are going to have some information here before we can act.

The CHAIRMAN. I will say if the Senator prepares a list of questions we will submit them to the State Department and ask them to furnish the information.

Senator JENNER. The State Department?

Well, they are the ones putting out this stuff. I would just get the same answer back.

Senator LONG. Mr. Chairman, may I just ask 1 or 2 questions?

The CHAIRMAN. Senator Long.

Senator LONG. If you people were permitted to buy your ships wherever you could buy them most cheaply you would not be asking for a construction subsidy; would you?

Mr. DEWEY. No.

Senator LONG. If you were permitted to hire your labor where you could hire it most cheaply you would not be asking for subsidies on labor; would you?

Mr. DEWEY. We would not, and to answer the question further, it is on record that among monopolized American shipowners who cannot pay the American wages are using foreign flags and those ships have now left our merchant marine.

Senator LONG. If you were permitted to repair your ships wherever you can repair them as at the lowest costs you would not be asking for a subsidy?

Mr. DEWEY. No, sir.

Senator LONG. Actually, you want subsidies whenever Congress passes laws that you must pay for a high-cost product?

Mr. DEWEY. Yes; indeed.

Senator LONG. You say you cannot compete if forced by law to buy a high-cost product?

Mr. DEWEY. That is it exactly.

Senator LONG. That involves buying ships made in American yards, hiring American labor, repairing ships in American yards and buying the insurance Congress tells you to buy.

You are being subsidized in those areas?

Mr. DEWEY. That is correct. Those elements where we are being forestalled from going into other than American markets.

Senator LONG. Congress was willing to protect 20 percent of the American market for your industry, and foreigners control the other 80 percent.

Mr. DEWEY. That is the way it works out.

Senator LONG. Congress did this by means of subsidy rather than by tariffs?

Mr. DEWEY. Yes; well the tariff was—the subsidy was in an attempt to compensate for the tariff, Senator. I suppose it had a choice of reducing the tariff or going into the subsidy program.

Senator LONG. The same situation existed in the sugar industry; did it not?

Mr. DEWEY. There could be a parallel drawn there.

Senator LONG. A similar situation, that is, with regard to subsidizing, because it involves both tariff and subsidy.

Mr. DEWEY. There are elements that are common.

Senator LONG. Tariffs, subsidies, and quotas.

Mr. DEWEY. I am not sufficiently familiar with that situation.

Senator LONG. As far as your industry is concerned the situation involves a determination by Congress and the executive that this Nation must have ships under American control, American shipyards and trained American seamen for our defense. Therefore, the level of American maritime traffic is based on those defense considerations; is it not?

Mr. DEWEY. They are to a large extent, but of course the Merchant Marine Act is designed to serve the commerce of the Nation with ships operating in those routes that are essential to the commerce of the Nation.

So that everything you say is precisely true and you have said it just right, Senator. But I must add that the whole philosophy behind it is that in addition to providing a nucleus in the event of an emergency (and we can cite chapter and verse where this has paid handsomely), in addition to that it is designed to guarantee the export-import business of the country some measure of stability and continuity.

Senator LONG. Someone they can count on?

Mr. DEWEY. Yes, sir.

Senator LONG. Thank you very much.

Mr. DEWEY. Thank you, Senator.

Senator MALONE. Mr. Chairman, concerning that 50-percent tariff on a ship: When you build a ship in Japan or Germany or some place you pay that 50 percent when you bring it back to the United States, and go under the flag; is that it?

Mr. DEWEY. And you would not pay it of course—you could not——

Senator MALONE. When they passed that act that was for the purpose of equalizing the costs?

Mr. DEWEY. When they pasesd the Merchant Marine Act, Senator?

Senator MALONE. No, when they passed this 50-percent tariff?

Mr. DEWEY. For the purpose of equalizing——

Senator MALONE. The cost of construction.

Mr. DEWEY. I am not sure what the differentials were at the time. I can only assume it was inherent in the thing.

Senator MALONE. Of course. It seems to me that what Congress did was to build you a glass house and you just never took a look at it before you came back here complaining about everything else—and I want to join the Senator from Indiana in every word he said.

In the first place, we have gotten so far away from the Constitution of the United States that we utterly disregard it. Everyone assumes when they come here this act is going to be extended, so their attitude is: How can I get some kind of special consideration for my business? Everybody wants to come in and get a little piece of it assuming this is going to go on.

Now my personal opinion is that if the people of the United States ever break this sound barrier on the Potomac through which no public sentiment ever penetrates, if they ever fully realize what Congress has done to them in the last 24 years, they will move on this place. They won't even wait for an election, and they will take everybody out of the play who testifies as you have.

We think, I believe, that we should have a merchant marine.

Mr. DEWEY. I know you do because you have supported it on many occasions.

Senator MALONE. But I don't believe you should complain about protection for the American workingman and investor to the extent of difference in wages here and abroad but that is exactly what you are doing.

Mr. DEWEY. Well, it may be what we are getting—but to suggest that I complained that others might get it, Senator, is distorting my testimony.

Senator MALONE. Well, you are complaining. You are trying to extend an act that destroys business. We have got 6 million men on the counter now who are on social security or State help who are getting hungry out there, and you are talking about 200,000.

Mr. Chairman, this witness just happened to get caught in the vise here, but I just hope there are more Senators who begin to think of this thing as a violation of the Constitution of the United States. That is what it is, and there can be no doubt about it. It has never been before the Supreme Court. Attempts have been made to get there and it may finally reach there, like the NRA did. But there is no doubt that it is unconstitutional when a President of the United States, as Mr. Dulles, Secretary of State, admitted, can trade a part or all of any industry to foreign nations if he believes that it will further his foreign policy, and the 36 foreign competitive nations that make up the GATT it has been established by Mr. Dulles do not have to keep their share of the agreements as long as they can show they are short of dollar balances.

Senator JENNER. I have been short all my life.

Haven't you?

Senator MALONE. That is right.

I am going to complete this statement and it is not going to take very long.

I was not here when they voted unanimously——

The CHAIRMAN. If the Senator will yield the Chair wants to recess the hearing until 2:30, if that suits the Senator.

Senator MALONE. You can recess.

Senator DOUGLAS. Mr. Chairman, I will not be here this afternoon, so I would like to make this statement on behalf of Mr. Masaoka.

He was a member of the famous 42d Combat Team of Americans of Japanese descent which served with such great credit in World War II.

These men indeed served under something of a popular cloud, and they made a record which I think has been unsurpassed in the history of the American military forces.

They received the Presidential Unit Citation seven times which I think is the record for the entire history of the United States.

They had casualties which amounted to over 300 percent of the normal complement of the combat team. They had more men killed proportionately to their number than any American unit. They had more men wounded proportionately to their number than any American unit.

I may say one of the two runners-up was my own division, the First Marine Division, and Mr. Masaoka was 1 of 5 brothers who served in this combat team.

One of his brothers was killed, another brother suffered a 100 percent disability.

Mr. Masaoka himself was wounded and received the Legion of Merit, the Bronze Star, the Purple Heart. He has established a record as a great American, and had hoped that I might be here to hear his testimony, but I do want to testify to his patriotism and to his devotion to the United States.

The CHAIRMAN. The committee will recess until 2:30 o'clock.

(Whereupon, at 1:05 p. m. the committee was recessed, to reconvene at 2:30 p. m. the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

Mr. Charles Hofstetter, Export Managers Club of Chicago, Inc.

STATEMENT OF CHARLES A. HOFSTETTER, PRESIDENT, EXPORT MANAGERS CLUB OF CHICAGO, INC.

Mr. HOFSTETTER. Mr. Chairman, my name is Charles A. Hofstetter. I am export manager for Ace Fastener Corp., manufacturers of stapling devices and staples in Chicago. I am here as president of the Export Managers Club of Chicago to testify in favor of the Trade Agreements Extension Act of 1958, as passed by the House of Representatives on June 11 as H. R. 12591.

The Export Managers Club of Chicago was founded in 1919 and incorporated in 1927. Its 670 members represent the exporting industries, as well as transportation, banking, insurance, and other auxiliary services, in the heartland of the Middle West where an estimated 40 percent of United States exports originate. I am submitting two copies of the club's membership roster with my written statement.

The Chicago foreign trade fraternity is delighted with the performance of the House of Representatives in voting, 317 to 98, to continue the reciprocal trade agreements program for 5 years, essentially in the form recommended by the administration.

But now that the Senate is about to consider this legislation, we have to point out that it represents only a minimum program, both with respect to the original objective of promoting United States exports and from the point of view of its present principal purpose of supporting our role of world trade leadership.

Nevertheless, we realize that this is about the best trade bill we can obtain at this time, since it is, of necessity, a product of politics, and politics having been aptly defined as the art of the possible.

Under the circumstances, I wish to touch on only two points in my testimony: (1) The absolute necessity of extending the act for a period of 5 years and (2) the relationship of the Trade Act to GATT, the General Agreement on Tariffs and Trade.

As a result of the congressional battles over the extension of the Trade Agreements Act in 1953, 1954, and 1955, United States leadership in world trade has lost luster. More prestige went down the drain when, during the following 3 years, the Congress refused to ratify OTC, the Organization for Trade Cooperation, which the United States Government had sponsored and promoted as an administrative arm of the GATT.

Besides, for a decade now our whole foreign economic policy has been subordinated to considerations of the cold war with the Communist bloc. Taken together, these factors have contributed mightily to the breaking up of the world economy into regional groupings, the first and foremost of which is the European Economic Community, with the even more formidable European free-trade area being in the active discussion stage.

Anything short of a 5-year extension of the present bill will seriously jeopardize our negotiations with the present 6-nation Common Market or the 17-nation free-trade area, if and when it comes into being, for the protection of American export interests.

In the absence of suitable cooperative trading arrangements, Western Europe will be unrestrained in utilizing to the fullest the balance of economic power it holds between the United States and the Soviet Union. Above all, a 5-year extension will go a long way in restoring confidence in the continuity and stability of our trade policy.

My second point has to do with the provision in the current bill that its enactment shall not be construed as either approval or disapproval of the executive agreement known as the General Agreement on Tariffs and Trade. This fence straddling is regrettable because GATT is the keystone in the arch of our foreign economy policy. As the instrument of cooperation through which the United States has sought to carry out the provisions and the purposes of the Trade Agreements Act, GATT provides the operational facilities for meeting the Soviet economic threat, for dealing with the European Common Market, and for promoting the economic strength and political unity of the free world.

These were among the compelling points which the administration used in selling this bill to the Congress. It is also significant that at least two of these major selling points represent defensive measures: the European Common Market and the Soviet trade offensive.

Although we have no intention of stirring up any political fuss that might unduly delay the consideration of this bill, our group believes that the chances of final passage for a period of 5 years and without crippling amendments will be enhanced if the Senate is fully aware that the Trade Agreements Act is the indispensable link with the GATT and that the GATT is the only available institution in the free world where we can apply our talents of leadership in working toward a gradual integration of the world economy.

As we see it, the objective of the United States, in its economic relationship with the rest of the world, is to create a freewheeling multilateral trading system based on currency convertibility, operating through an international price mechanism under the incentives of free, private, competitive enterprise, and regulated in the national interest through customs tariffs. This is nothing more nor less than the extension and application, beyond the borders of the United States, of the business philosophy that has made possible the unprecedented progress in our material well-being.

It is only through consultation with our trading partners, through negotiation, compromise, and agreement, that a world trading system can be rebuilt along the lines I have just mentioned. The first and foremost requisite, therefore, is cooperation with our trading partners. There is no such thing as imposing rules of world trade by unilateral action.

It takes at least two nations to engage in international trade, and that second nation, regardless of size, expects to be treated as an equal. Experience has shown, however, that bilateral negotiations are much too slow when applied to all the countries with which we want to do business, and that is why the General Agreement on Tariffs and Trade streamlined and speeded up the process of negotiating when it started the innovation of multilateral negotiations among many trading partners.

The crucial test facing the Senate is whether government of the people, by the people, for the people has the capacity to create an efficient trading system, in cooperation with other democratic nations. Such systems as we have had in the past were based either on military power or on a preponderance of political power.

The great era of world trade that followed the industrial revolution and was dominated by Great Britain came to an end in 1931, after enactment of the Smoot-Hawley Tariff. Two years later, it was propped up and carried along by American assistance in the form of a currency stabilization fund, until World War II wrote finis to multilateral trade based on currency convertibility, for all practical purposes.

Today, government controls over the movement of goods across national boundaries are still near the alltime high since the Middle Ages, and some 90 percent of the world's population are effectively barred from travel outside their own countries because they do not have the right kind of money for that purpose.

And all this in an age when man-built vehicles can circle the earth in less than 2 hours, and when the most powerful governments are absorbed in problems of outer space and worried about who is going to get to the moon first. In an age, too, when the average traveler can reach the remotest points on this globe in 45 hours and, in just 1 more year, in 30 hours.

To be sure, we and our allies went to work early to repair the broken-down trading system based on the gold standard. That was the purpose of the Bretton Woods Conference in 1944. By 1947, it had become apparent that, in addition to the International Monetary Fund and the World Bank, a direct approach to trade problems was needed, and GATT was organized.

All this was done at the instigation and under the leadership of the United States. Over the years, however, this leadership grew weaker, partly because of our preoccupation with the cold war and partly because of the rise of restrictionism within our own country. And thus, while we were still paying lipservice to the official objective of working toward an integrated world economy, little, if any, headway was made.

The House, in its overwhelming approval of the Trade Agreements Extension Act of 1958, has made an auspicious beginning of reversing that trend.

The Export Managers Club of Chicago hopes that the Senate will follow suit with an equally strong show of statesmanship, thus permitting the United States to reassert its leadership and revitalize the processes designed to restore a worldwide multilateral trading system as the surest way of promoting peace through universal prosperity.

I thank you.

The CHAIRMAN. Thank you, sir.

Mr. Mike Masaoka has to catch a plane; so we will hear him next. Have a seat sir, and proceed.

STATEMENT OF MIKE MASAOKA, WASHINGTON REPRESENTATIVE, AMERICAN IMPORTERS OF JAPANESE TEXTILES, INC.

Mr. MASAOKA. Mr. Chairman, and members of the committee, my name is Mike Masaoka, Washington representative of the American Importers of Japanese Textiles, Inc., a New York trade association composed of domestic corporations and companies and individual Americans who handle approximately 70 percent of the Japanese textiles imported into this country.

Before proceeding with my statement, however, I would like to express my personal appreciation to Senator Douglas of this committee, who was kind enough to say some very generous things about my war record, and to say that for myself, we also admire and reciprocate in his great war record and his public service to this country.

While candor compels us to state that, in our opinion, the bill under consideration, H. R. 12591, the House-approved legislation to extend for another 5 years the Reciprocal Trade Agreements Act, is not as liberal a measure as we believe our United States should extend to the nations of the free world in these troubled times, nevertheless, in general we endorse it and urge its early enactment with perhaps two minor amendments.

1. On page 6, line 24, H. R. 12591 authorizes the President to increase tariff duties 50 percent above the rates prevailing on July 1, 1934, instead of July 1, 1945, as provided in the current statute.

2. On page 8, line 22, H. R. 12591 reduced the maximum period in which the Tariff Commission must complete escape clause proceedings from 9 to 6 months.

INCREASE IN DUTY RATES

Authority to increase tariff duties 50 percent above the rates prevailing on July 1, 1934, means that our tariff schedules for certain items could become the highest in history. As is well known, the Smoot-Hawley Tariff Act of 1930 imposed the highest rates up to that time. If the President increases any duties 50 percent above those rates, it would cause even that statute to appear somewhat less formidable.

As a matter of fact, we recall seeing statistics to the effect that some items could be increased by more than 400 percent if the President exercised his full authority in this regard. Such tremendous increases would result in prohibitive rates of duty.

We believe that legislation of this kind, which purports to encourage international trade and commerce, should not include such contradictory authority as this. We suggest, therefore, that this proposal be amended and that the present January 1, 1945, date be substituted therefor.

TARIFF COMMISSION DEADLINE

Reducation of the time limitation for the completion of escape-clause proceedings by the Tariff Commission from 9 to 6 months will place an extraordinary and unjust burden on the importers who are forced to defend against allegations that certain imports are injuring or threatening serious injury to domestic industry producing like or directly competitive products.

Domestic industry prepares its application for an investigation by the Tariff Commission without any limitation as to time. Once the application is submitted, however, the Tariff Commission must begin its independent investigations.

About the same time, defendant importers are notified of formal hearings on the petition to be held within a period of a few months.

In many cases, the importers must simultaneously seek information abroad regarding the exporting industry, labor conditions, trade practices, and Government policies while doing considerable research into the domestic industry, often to secure facts that are not readily available. Since it is our understanding that even the current 9 months' limitation in some instances has not allowed importers sufficient time to prepare the necessary defense, although the Tariff Commission itself with added personnel may be able to complete its investigations within this reduced period, the importers will be greatly curtailed in their ability to produce the kind of evidence that the Commission needs to reach its findings.

Because the recommendations of the Tariff Commission following escape-clause proceedings are so vital to domestic industry, to the importers, to the consumers, and to the international relations of our Nation, we urge that the current 9 months' limitation be retained, and not reduced by a third to 6 months.

PROPOSE ADJUSTMENT MEASURES

In addition to the House-approved provisions of H. R. 12591, with the two modifications we have proposed, we suggest that this committee consider as an alternative to trade restrictions under the escape-clause procedures some Federal adjustment program to aid workers, mills and factories, and communities that are, in fact, seriously injured by import competition.

This adjustment program should not be used, however, to subsidize uneconomic industries or segments thereof, but rather to enable adjustments to more economic production which will offer better opportunities and rewards.

OPPOSE ADDITIONAL RESTRICTIONS

Needless to state, we are opposed to any further emasculation of this program by additional restrictive amendments.

Four such amendments have been called to our attention as likely to be considered by this committee.

One would reduce the extension of this program from 5 to 3 years, or even less.

As emphasized by Secretary of State Dulles and Secretary of Commerce Weeks before this committee last week, the 5 years requested by the administration is the minimum required to protect United States interests at this time, especially in view of the European Common Market development.

The second would deprive the President of his authority to accept, reject, or modify Tariff Commission recommendations as he now does on the basis of comprehensive and highly confidential and classified information available to him alone and in the interests of national security and welfare.

Thes House-approved bill restricts this authority to the extent that the Congress may, by concurrent resolution voted by two-third majority in both Houses, override any Presidential action.

Any further restriction would be harmful to the best interests of our Nation, for only the President may be aware of the overriding considerations of the international implications dictating his particular decision.

The third would impose general or specific commodity quotas on imports, a policy contrary to freer trade principles and one calculated to result in retaliatory action that might well lead to economic isolationism and nationalism and destroy the grand alliance of free peoples we have so painstakingly brought together.

Finally, we oppose any refining of the definition of industry or segments thereof which will make freer trade principles meaningless. To recognize for tariff relief matters a single mill, factory, plant, store, or product, for example, we think is contrary to the national interest. Trade is a two-way proposition. If we want to sell, we must also buy. Moreover, we cannot wage trade war on one hand and on the other seek military and security alliances.

REASONS FOR SUPPORT

As importers, it is understandable that we favor legislation that will encourage the limitation of trade barriers, reduce tariffs, and generally promote increased commerce among the free nations.

But more than this, as Americans who—because we import Japanese textiles—are aware of the strategic role that Japan plays and can play in world affairs, we are most concerned that Japan be allowed to trade with us, lest she be forced to trade with our enemies.

Japan, is actually, is a nation that must import to live and export to survive.

Today, we are Japan's best market, and Japan is our best customer for our agricultural products, most of which are in surplus, and our second best all-around buyer of all our exportable goods. But the balance of international trade is so much in our favor—more than 2 to 1—that further restrictions on Japan's ability to sell in our markets may well force her into an alternative that she, as well as we, abhor; that is, trade with Red China.

Make no mistake about it. Japan prefers to trade with us. For that reason, the Red Chinese dramatically cancelled their trade agreements with certain Japanese parties during the recent parliamentary elections in order to embarrass the pro-United States Government of Prime Minister Kishi.

That there were not successful in causing the defeat of the Liberal-Democratic government party is a tribute to the desire of most Japanese to maintain close ties with the United States.

At the same time, however, because of the threat of increased restrictions against Japanese imports into this country, newspaper accounts from Japan have noted that, unless more dollars may be earned in the American market place, Japan may be forced by circumstances to look elsewhere for her raw materials—such as raw cotton, wheat, corn, tobacco, milk and cream, copper, scrap iron, coal, gasoline and oil, industrial equipment, and many other items she now imports from us—to nations that are willing and able to purchase her multitude of exports, including textiles.

Japan's prewar markets in southeast Asia are being captured by India and Red China, particularly the latter since it has initiated trade as an instrument of total war.

In the European Common Market, they sense an effort to close the Continent to them. The British seem intent to exclude them from the Commonwealth bloc. And, in South America, United States productive facilities appear able to outsell them.

Only Red China of all nations seems to be welcoming increased trade with Japan. She has the natural resources that Japan desperately need—and used to secure from the mainland. There are being offered at prices considerably lower than ours, with less in transportation expenses involved. At the same time, she requires the products of Japan's mills, and plants, and factories. Aside from the ideological conflict, it would appear to be a logical and economic arrangement.

Once normal trade is established, political recognition of Red China will surely result. After that, who can predict the chain of events that may follow?

There can be no gainsaying that Japanese industry weighs heavily in the Pacific, and world, balance of power. We dare not forget, as Cameron Hawley wrote in the Saturday Evening Post last year—

> that Japan, on its own, built and supported a military machine that seriously challenged American and Allied might through 4 years of war. Add that much weight to Red China's own power (and to that of Soviet Russia, too), and the balance might easily swing to the other side of the scale.

Last year, Japan's steel output was 12 million tons. Despite their efforts to build up heavy industry, and with all the help that Russia has been able to give them, Red China will not be able to produce a third this amount. This is just a single example of many that can be given to illustrate what Japan's productive capacity in the hands of the enemy can mean.

The loss of Japan to the alliance of free nations has been evaluated by many of our officials, including the President and the Secretary of State, as a catastrophe of the first magnitude. It might well be the determining factor in the eventual loss of all Asia and the free world.

Japan is the keystone of the arch of defense that we have built up to contain the explosive power of Red China and Soviet Siberia. Weaken that keystone, or destroy it, and the whole arch sags and breaks down.

To put our case for the extension of the reciprocal trade agreements program and for increased imports from Japan briefly, it is that the realities of the world today are such that unless we encourage trade with Japan, we not only face the loss of our best customer for our surplus agricultural products but also risk the loss of our western bulwark of freedom to the Communist enemy.

JAPANESE TEXTILES

Some of the opposition to the extension of the Reciprocal Trade Agreements Act is based on charges that it has allowed Japanese cotton textiles to be imported into the United States in such quantities as to threaten the very existence of the domestic industry.

In refutation, let us identify and summarize for the record the facts relating to some of the more common allegations which have been made or suggested against Japanese textile imports.

POSTWAR UNITED STATES AID TO JAPANESE TEXTILE INDUSTRY

The notion is prevalent that the Japanese cotton textile industry was rebuilt after hostilities by postway economic aid to Japan during the period of United States occupation.

Kojiro Abe, chairman of the All Japan Cotton Spinners Association, in memorandum submitted on behalf of his association, Japan Cotton Weavers Association, Japan Cotton Textile Exporters Association, and Japan Textile Products Exporters Association—representing the entire industry—to the (Boggs) Subcommittee on Customs, Tariffs, and Reciprocal Trade Agreements (of the House Committee on Ways and Means) in Tokyo in December 1956, emphatically denied this notion.

After discussing the immediate postwar history of the cotton textile industry, Mr. Abe declared:

> To recapitulate, direct aid from the American taxpayers was not responsible for the postwar development and rehabilitation of the Japanese cotton industry. Private loans from Japanese banks were the principal source of funds for the purchase and repair of machinery and plant equipment, as well as the construction of mills and related facilities.
>
> Moreover, the Japanese cotton industry has repaid in full, in yen, the cost of all the raw cotton made available to us (by the American occupation authorities).

STATUS OF JAPANESE WORKERS

A common impression among too many Americans is that Japanese textile workers are exploited; that they are paid substandard, "coolie" wages.

Admittedly, Japanese textile workers are paid low wages compared to employees in this country. But Japan's wages are the highest in Asia. As a matter of fact, those engaged in the cotton spinning industry for export are the highest paid workers in the nation, both as to men and as to women workers, as well as together. The same certainly cannot be said of our textile workers, whose wages are among the lowest paid in our country.

Moreover, they are given so many fringe benefits—semiannual bonuses, housing, hospitalization, meals, educational opportunities, recreational facilities, etc.—that, relatively speaking, in terms of the respective economies in which they live, the Japanese cotton textile workers are "better off" than are our own workers. Furthermore, because of the "paternalistic" system which assures compensation even when mills are shutdown, Japanese workers enjoy greater job security and unemployment benefits than does his United States counterpart.

Indeed, it is interesting to recall that, as long ago as 1937, Dr. Claudius Murchison, then economic adviser to the American Cotton Manufacturers Institute, admitted on returning from a tour of Japan that

> In our competition with the Japanese textile industry, we are not competing with labor exploitation or with lower living standards. * * * We derived no impression that they (the Japanese workers) were subject of exploitation.

Obviously, since 1937, Japanese labor standards and statutes have been substantially improved, particularly during and after the period of the American occupation.

At the present time, 99 percent of the cotton spinning mills in Japan are completely unionized. Contrast this with the 16 percent of unionization in our southeastern States where most of our mills are located. These are not company unions organized to prevent organized labor from participation but are locals of the aggressive Japan Federation of Textile Workers Union, affiliated with the non-Communist International Confederation of Free Trade Unions since 1950 and with the International Federation of Textile Workers Association since 1951. The American Federation of Labor—Congress of Industrial Organization (AFL–CIO) is affiliated with the former, and the Textile Workers Union, AFL–CIO, with the latter.

JAPANESE IMPORTS AND LOW WAGES

It is too easy a temptation to blame dollarwise low Japanese wages for textile imports into the United States.

If wages were the sole, or even primary consideration, then India (paying less than half of Japan's average wage), Hong Kong, Mexico, and others with lower wage scales than Japan should be the major exporters to this country, instead of Japan, the United Kingdom, France, Italy, etc.

Moreover, if wages were so important, how does one account for the fact that the United States, with our higher wages, exports almost 60 percent of all the textiles purchased by Canada, which, with lower wages than ours, struggles to maintain a textile industry.

Japan shares in only about 7 percent of the textile imports into Canada. In other words, if wages alone were the criterion of foreign trade, how does one explain that in many third countries, the United States can outcompete the Japanese for the same markets. After all, one cannot lose sight of the fact that in 1955, 1956, and 1957, the United States exported about twice as much in cotton manufactures than she accepted in imports.

The report (No. 1312) of the Joint Committee on the Economic Report, 84th Congress, 2d session, makes this interesting observation:

> Low-wage and high-wage countries are not barred from carrying on mutually beneficial trade. This is because wages are only one element in total money costs, and money costs or prices must be compared through an exchange rate which is subject to adjustment.
>
> Further, low wages are generally a sign of low productivity. Relatively plentiful labor is paid low wages, but usually produces so little per capita output

that the price of a final product is just as likely to be higher as it is lower than the product price in a high-wage country.

But low-wage countries do tend to have a comparative advantage in the production of goods which require much labor, while high-wage countries have a comparative advantage in the production of goods which require a higer proportion of capital or material resources in their manufacture.

Japan is a nation in which labor is plentiful. It can, therefore, produce and export certain textile items to the United States.

It must not be overlooked, however, that Japan does not, and cannot, successfully compete in the American market for all the textile trade. Indeed, Japan's exports are limited to a relatively few articles.

IMPORTS BLAMED FOR INDUSTRY ILLS

To blame Japanese textile imports for the troubles of the domestic textile industry is an easy and emotional appeal that too often conceals the real reasons for the many difficulties in which our United States manufacturers find themselves from time to time.

The total of Japanese textiles imported into this country is less than 2 percent of our total domestic production. Additionally, Japanese textile imports are limited to a relatively few items and so do not affect the whole industry, with its hundreds and perhaps thousands of standard and specialty articles.

To attribute Japan's small import totals for the ills of one of the major giant industries of our Nation is to gloss over competition from synthetics and other manmade fibers; the changes in consumer preferences; geographical competition between producing areas; liquidations and mergers for tax purposes, as well as for greater efficiency; overproduction (three shift operations); etc.

The Wall Street Journal for May 21, 1956, pointed out that even some textile executives admit—privately—that claims about their industry being pushed to the brink of disaster, or beyond, are extravagant. Some of these executives agree, according to this same financial and trade journal for May 29, 1956, that such claims are the result of a massive and well organized anti-import campaign and admitted that many mills are using the Japanese as whipping boys just because of poor business.

In assessing Japanese textile imports for responsibility for the current plight of the domestic industry, it should be kept in mind that the economic well-being of the American textile industry is of serious concern to importers of Japanese textiles, for a strong and prosperous domestic industry reflects an active and profitable market for both imported and homemade products.

Since very few Japanese textile items are always competitive with our comparative merchandise, most Japanese articles can be imported and sold competitively only when the American market is "high" and the Japanese market is "low." It is important, therefore, from the viewpoint of the importers that the domestic industry be healthy and progressive.

STATISTICAL IMPACT OF IMPORTS

While the records reveal that relatively few Japanese imports may compete successfully in the United States markets, there are those who argue that the very impact of these few items are such as to threaten the entire domestic industry.

Overall exports of all cotton textiles, including made-up goods, are now limited by the so-called voluntary Japanese quota to a maximum of 235 million square yards. This export ceiling is equivalent to about 106,000 bales of raw cotton, or about one-tenth of the raw cotton that the United States sold to Japan last year. The impact of Japanese exports, then, was about 1.2 percent, when contrasted to the 9,147,000 bales of raw cotton consumed by the domestic mills in 1955. These 106,000 bales imported into this country in manufactured textiles are comparatively insignificant when compared to the 1,725,000 bales of raw cotton which were "lost" to other fibers and nonfibers the same year, according to an estimate of M. K. Horne, chief economist for the National Cotton Council of America.

Total United States exports of manufactured cotton textiles in the lowest postwar year (1955) amounted to 542 million square yards, or more than twice as much as Japan's postwar high of exports to this country. Also, although the postwar boom when we were supplying the world is over, it is noteworthy that American exports are substantially above those in prewar years, including 1940.

In the light of these statistics, it is difficult to visualize Japanese imports as greatly or even materially influencing United States exports and the domestic market.

SELECTED IMPORT ITEMS

While conceding that Japanese imports into the United States may not be large in terms of total domestic consumption, there are those who argue that Japanese items are concentrated on a few selected items and injury is thereby sustained by certain segments of the American industry.

It is only natural, of course, that American buyers of Japanese textiles order only those particular commodities which are most efficiently produced in Japan and which can be sold to the United States consumer, that is quality merchandise at reasonable prices.

During Tariff Commission hearings on some of these items, it was brought out that Japanese imports increased to meet increasing demands on the part of the consumers, demands which could not be filled by the domestic industry alone. In many instances, too, Japan helped to increase the total United States consumption by developing new markets.

GINGHAMS

Early last year (1957), the Tariff Commission terminated its escape-clause investigation on gingham cloth imports because Japan initiated a 5-year voluntary control program on cotton textiles.

Gingham producers comprise only 3 percent of the domestic cotton mills and account for only 2 percent of the total cotton production.

From 1951 to 1956, the latest figures available to us, the domestic production of ginghams increased from 157,700,000 square yards to 250 million square yards. The rather spectacular domestic increase in production corresponds to the period of increasing Japanese imports of this same cloth.

In 1956, the United States production was 250 million square yards, with Japanese imports totaling 49 million square yards.

Under the voluntary Japanese quota program, gingham imports are restricted to 35 million square yards annually, or just about half the increase in domestic production from 1954 to 1955.

VELVETEENS

Although only one company in the United States is a manufacturer of velveteens, an escape-clause investigation by the Tariff Commission resulted in a recommendation for an increase in the duties.

The President, however, declined in 1957 to take action on these recommendations because Japan imposed a voluntary quota on its velveteen exports.

Because of the vagaries of consumer demand, the differences in imported and domestic commodities and the uses to which they are put, and the influences of various fashion trends, it is difficult to assess the impact of Japanese velveteens. Nevertheless, it seems clear that Japanese and Italian imports found new markets and new uses for velveteens and expanded the total American consumption. Indeed, it is questionable whether the single United States company can increase its production sufficiently to make up for the voluntary cutbacks imposed by Japan (for 5 years) and Italy (for 1 year).

Japan voluntarily relinquished more than half of its market (6,759,700 square yards in 1955) by imposing a ceiling of 2,500,000 square yards. Italy restricted her exports to 1,375,000 square yards (1957). Total United States consumption in 1955, the peak year, was almost 13 million square yards (12,800,000), with domestic production only about 4 million square yards (4,184,000). Japanese and Italian imports, as well as the 1955 domestic production, add up to 8,059,000 square yards.

This provides the domestic company with an opportunity to increase its production by almost 5 million square yards (4,741,000), or more than total United States production for the year 1955.

COTTON PILLOWCASES

Subjected to escape-clause investigations by the Tariff Commission in 1956, the Commission found that "* * * no sufficient reason exists for a recommendation to the President" that these imported Japanese cotton pillowcases have caused or threaten to cause serious injury to the domestic producers.

Part of the Commission conclusions note that

> * * * it is apparent that the volume of domestic production does not vary inversely with the volume of imports but rather is a function of an aggregate of variables among which the volume of imports are not even the most important.
>
> Moreover, far greater variations in annual production occurred in the years before 1953, when imports were negligible, than have occurred since. The Commission must therefore conclude that there is no significant correlation between the level of production and the level of imports. The Commission also observes that between 1954 and 1955 (the year of highest imports) domestic production of pillowcases made of muslin or percale sheeting declined much more than did the domestic manufacture of printcloth pillowcases. Nothwithstanding, no domestic manufacturer of muslin or percale pillowcases claimed serious injury from import competition.

The alleged "concentration" of Japanese pillowcases occurred in 1955 when 977,171 dozen were imported.

Even though the Tariff Commission officially found that these imports were not injuring or threatening injury to the domestic industry, Japan voluntarily imposed a quota of 400,000 dozen annually—less than half of their 1955 level of pillowcase exports.

COTTON BLOUSES

Japanese cotton blouses were also the target of an escape-clause investigation before the Tariff Commission. The petition was withdrawn, however, by the domestic industry when Japan announced a ceiling of 2½ million dozen cotton blouses annually in the spring of 1956. Last year, Japan reduce this quota to 1½ million dozen yearly.

The unfavorable and unprecedented publicity 2 years ago concerning so-called "dollar blouses" resulted from an unfortunate circumstance which probably will never be repeated. Too many American buyers ordered far more blouses from Japan than they could reasonably sell in the United States market. This resulted in heavy losses for all concerned—the manufacturers and exporters in Japan and the importers, jobbers, wholesalers, and retailers in this country—with "distress" sales as the ultimate consequence.

About the only beneficial result of that bittter experience is that American importers are now on notice that they cannot place orders in Japan indiscriminately and without regard to market trends and conditions.

Promiscuous placing of orders in Japan, or elsewhere, without adequate study of the factors involved, is not good business practice under any circumstance. Now that Japan has voluntary quotas, as well as check prices, a repetition of the "dollar blouse" tragedy is happily a thing of the past.

In spite of the allegations against there "dollar blouses," production figures for the domestic cotton blouse industry reveal that every year except one from 1947 has seen substantial increases, from 995,000 dozen in 1947 to 9,093,000 dozen in 1956, the latest available year.

Indeed, there is reason to suspect that Japanese imports helped to increase domestic production, because in the years when these blouses were being imported in quantity, production increased more than 3 million dozen a year (from 6,653,000 dozen in 1953 to 9,715,000 dozen in 1955).

PERIL POINTS ON JAPANESE IMPORTS

Although domestic industry petitioned for escape-clause investigations by the Tariff Commission on Japanese gingham, velveteen, and pillowcase imports, it is worth noting that according to the State Department:

> **Analysis of protocol (including schedules) for accession of Japan and analysis of renegotiations of certain tariff concessions—**

under the General Agreement on Tariffs and Trade (GATT), negotiated in Geneva, Switzerland, February–June 1955:

> **On the inport side, no concessions were granted which exceeded peril-points (determined by the Tariff Commission to be that point below which additional tariff reductions would invite such import competition as to injure domestic industry), and all were scrutinized in accordance with the safeguarding procedures for the administration of the Trade Agreement Act.**

VOLUNTARY JAPANESE QUOTA PROGRAM

Two years ago (1956), as a goodwill gesture and to aid in the orderly development of the American market, even at considerable hardship and sacrifice to the Japanese industry, the Japanese Government imposed voluntary quotas on cotton fabrics exported to the United States (printcloth, 20 million square yards; velveteens, 5 million square yards; ginghams, 70 million square yards; blouses, 2,500,000 dozen, etc.).

Last year, following long discussions and consultations and with the approval of this Government, the Japanese imposed an overall voluntary export control or quota program on all cotton textiles to be exported to the United States for the next 5 years.

The ceiling was set at 235 million square yards annually for all cotton textile exports, or a voluntary reduction of about 35 million square yards from their 1955 export total.

The overall quantitative quota is subdivided into five major groups or categories as follows:

		Square yards
Group I.	Cotton cloth	113,000,000
Group II.	Made-up goods, usually included in United States cotton broad-woven goods production	30,000,000
Group III.	Woven apparel	71,000,000
Group IV.	Knit goods	12,000,000
Group V.	Miscellaneous cotton textiles	9,000,000
	Total	235,000,000

Within the group I, cotton cloth, category specific quotas were set for ginghams (35 million square yards), velveteens (2,500,000 square yards), and other fabrics (75,500,000). The gingham and velveteen quotas are not subject to change for 2 years—1957–58.

Within the "other fabrics" limitation, specific quotas were set for sheeting (50 million square yards), shirtings (80 by 80 type, 20 million square yards), other shirtings (43 million square yards), twill and sateen (39 million square yards), poplin (25 million square yards), yarn dyed fabrics (24 million square yards), and other fabrics (44 million square yards). In this category, the total exports of fabrics made from comb warp and filling are not to exceed 26 million yards.

Within the group II, made-up goods, usually included in the United States cotton, broadwoven, category specific quotas were established for pillowcases (plain, 400,000 dozen), dish towels (800,000 dozen), handkerchiefs (1,200,000 dozen), table damask (value of $3,720,000, or an estimated 468,000 dozen sets), and other items (1,875,000 pounds, based on a conversion basis of 4.6 yards to 1 pound of cotton).

Within the group III, woven apparel, category specific quotas are designated for blouses (1,500,000 dozen), sport shirts (750,000 dozen), dress and work shirts (300,000 dozen), brassieres and other body-supporting garments (600,000 dozen), shorts and trousers (600,000 dozen), and other woven apparel (2,321,000 pounds).

With the group IV, knit goods, category specific quotas are listed for men's and boys' T-shirts (short sleeve, white, no button, no collar, usually round neck, sometimes V-neck, commonly called marukubi shirt in Japan) (500,000 dozen), gloves and mittens (450,000 dozen), and other knit goods (1,477,000 pounds).

Within the group V, miscellaneous cotton textiles, category no specific quotas are established, but the principle of diversification and avoidance of excessive concentration on any particular item was recognized. Cotton floor coverings, fish nets and nettings, cotton thread, etc., are included in this classification.

The Japanese, furthermore, agreed that with respect to made-up goods no specific quota would be established, but that the Japanese Government will consult with the United States Government to determine appropriate courses of action whenever it appears that there is—

> developing an excessive concentration of exports in a particular item, or if there are other problems (e. g., possible problems resulting from excessive concentration of exports of end items made from a particular type of fabric, such as the use of gingham in the manufacture of an excessively large portion of exported blouses, sport shirts, etc.).

The Japanese placed a single condition on her imposition of voluntary quotas on cotton textiles exports, i. e.—

> * * * that all feasible steps will be taken by the United States Government to solve the problem of discriminatory state textile legislation and to prevent further restrictive action with regard to the importation of Japanese textiles into the United States.

OPERATION OF QUOTA PROGRAM

The administration and enforcement of the voluntary quota system is supervised by the Japan Cotton Textile Exporters Association, whose members export over 90 percent of all cotton fabrics sent to this country, as far as cotton fabric exports are concerned, and by the Japan Textile Products Exporters Association, whose membership exports nearly all of the cotton made-up goods, as far as these made-up goods are concerned.

Nonmember exporters are required by the Government to comply with the regulations and rules set down by these two associations for their own members.

RESULTS OF FIRST YEAR'S OPERATIONS

Although the program took some time to become operational because of the allocations that had to be made, the promulgation of the rules and regulations, and the setting up of the administrative supervisory personnel, we know that every effort was made to fill the quotas by exporters who did not want to give up any future allocations. This accounts for the fact that during November and December there was a rush to try to fill the unused quotas before the end of the year.

According to the Japanese export figures, only 214,970,000 square yards of cotton textiles were shipped to the United States in 1957. Since Japan's overall quota was 235 million square yards, this means that Japan was not able to fill her quota allocations by some 20 million square yards. In every category, we understand that Japan failed to fully meet her quota ceiling.

The first year's results indicate two important considerations.

One is that the very nature of the items on the quota as worked out with the American textile industry and our State and Commerce Departments indicate that Japan cannot export all types of cotton textiles, that there are in fact only a limited number of cotton textile items that Japan can competitively send in, and that all of these limited types are included in the quota.

The second is that this quota performance shows that even when these items are designated, Japan cannot fill her quota up to the full 100-percent limit.

TRANSSHIPMENTS PROBLEM

We are well aware that transshipments may have taken place on such items as velveteens. While we do not like to point the finger at ourselves, it is only fair to confess that transshipments through third countries are caused by importers who desire to circumvent the export-control program. We do not believe, however, that any member of our particular organization is guilty of such practices.

Our experience during the past year has convinced us that both the Japanese Government and the Japanese exporters did everything they thought possible to prevent obvious transshipments, for they realized that some segments of the United States industry would accuse them of bad faith and misrepresentation. They developed special procedures to try to forestall transshipments through Hong Kong and South and Central American countries generally.

We also know that the Japanese Government and exporters are cooperating with United States officials in investigating possible transshipments, which, incidentally, are entirely legal.

We believe that the Japanese will tighten up their procedures and devise new means of preventing transshipments this year and in the future. We know that both the industry and the Government are doing everything possible to demonstrate their responsibility in carrying out the spirit and the letter of the voluntary quota program.

As a matter of fact, no other government that we know of, and no other exporting industry, have taken the precautions that the Japanese have to honestly and effectively administer this voluntary quota system. They are to be commended, not condemned, for the record achieved in their first year of operation.

We have faith and confidence that the Japanese will not knowingly initiate or participate in any untoward activity, for they appreciate the long-term implications of their actions. They realize that the United States market is their most stable and reliable one. They will not tolerate any practices which will tend to destroy or curb their markets in this country.

This accounts for their voluntary quota limitations, for example.

QUOTA IMPACT ON AMERICAN ECONOMY

In many ways, the voluntary quotas imposed by Japan are injurious to our own economy. American manufacturers, without the competition of imports, may well raise their prices, and thereby destroy parts of the textile markets which are now available to them by encouraging the development of substitute textiles and synthetics.

Marginal manufacturers unwilling to improve management, production, and sales methods, are encouraged to remain in the field.

But the biggest loser is the American consumer who no longer will be able to purchase the merchandise of his own selection and who will be forced to either pay higher prices or "go without."

It is our contention that American industry should not be allowed to use these voluntary quotas as an excuse to continue inefficient, uneconomic, and unnecessary operation. The domestic industry should be required to improve their techniques and methods or to convert to the manufacturing of other products which are more competitive.

American labor and management should not forever be saddled with the manufacturing of certain textile goods which can best be produced in a less-developed economy which has a plentiful supply of labor.

Our Government policy should be one to encourage higher wages for the worker and higher profits for management, while, at the same time, providing better quality merchandise at lower prices to the consumer.

Artificial and arbitrary barriers to such a policy, based upon local or selfish and temporary considerations, should not be tolerated to impair progress.

Such a policy, too, will give inspiration to the less-developed countries of the world to build up their own economies in the hopes of trading with us, buying those goods which we can manufacture or grow most efficiently and selling those products which they can manufacture more economically and efficiently than we.

Such international commerce would benefit our economy and destiny more than any shortsighted policy of momentary expediency.

QUOTA IMPACT ON AMERICAN IMPORTERS

The Japanese voluntary quota has seriously crippled American importers in our business. We can no longer place orders for various cotton textiles in any amount we may desire.

Under the allocations system devised, popular goods are unavailable because the quota is always filled. The only items available are those for which there is little demand.

Some of our members have had to cancel orders already received because they could not import these particular items from Japan. Their quota was used up. Others had to reduce their requirements.

HANDICAPS OF IMPORTERS OF JAPANESE TEXTILES

The impression persists that American importers of Japanese textiles do not have to overcome many obstacles to compete in the domestic market for sales.

Quite the contrary is true, for we importers work under many difficult handicaps in competing with domestic products.

First, the importers must hurdle the tariff wall which has been erected to "protect" the domestic manufacturers. To the importer, these duties represent not protection but discriminatory subsidies which he must overcome.

Although American tariff rates generally are not high in relation to other countries, in the case of certain textiles items, especially mass production goods, they are considered prohibitive. An example in point is corduroy.

Second, ocean freight and insurance are added costs which the domestic manufacturer does not have to assume. Often a single cent can make a difference in the competitive position of a textile item especially in place goods.

Third, the importer must take into consideration the lead time required for the delivery of imported textiles.

Estimates of some importers are that it takes twice as long for delivery from Japan as it does from domestic mills. This time element often makes the difference between a sale, or none being made.

This delivery factor accounts for the inability of Japanese textiles to compete in the field of fashion and style goods which depend upon design and color.

Delivery of imports involves more than just "lead time," however. If the delivered item does not meet specifications, sales for an entire season may be lost because of the time factor in bringing in another shipment. The domestic seller has this same problem, it is true, but the great differences in the distances involved make it easier for him to make an adjustment.

Fourth, there are almost no spot transactions which can be made by the importers, again because of the distance factor. This places him under a serious handicap in his ability to take advantage of changing market conditions.

Fifth, the securing of a letter of credit or L/C at least 30 days before the shipment is made ties up the money of an importer to his disadvantage. The 30 days before shipment means that money is invested in the imports for a minimum of 70 to 90 days on which he must pay interest.

Sixth, the importer must work on small margins or markups because of the difficulty in meeting prices on the domestic market. This profit margin limits his ability to merchandise or promote the sale of his commodities. The added expense of advertising, for instance, could price him out of competition with the domestic product.

Seventh, the importer faces difficulties in communications which his domestic competitor does not have to overcome. Inasmuch as the manufacturer in Japan is some 8,000 to 10,000 miles away, communications are not only more difficult but also more expensive and time-consuming. To explain the requirements of the market, for example, takes from 10 to 14 days by airmail. A telephone call costs five times or more than it does from New York City to any point in the United States. A cablegram costs 30 cents a word. Then there is the language barrier that also has to be overcome in many instances. All this adds up the cost to the importers.

Eighth, Japanese cotton textiles face market prejudice that infers lower quality and cheaper price. Accordingly, the price differential on certain goods must be considerable, at least 7 to 10 percent, if the imports are to be sold competitively with its domestic counterpart.

Ninth, cultural differences, existing between the importers in many cases and the Japanese manufacturers, make it more difficult to conduct satisfactory business relationships as contrasted with domestic operators or European exporters and manufacturers.

Tenth, the usual business risks that challenge all business enterprise are added to the sometimes extraordinary handicaps that the importers must overcome.

These extraordinary burdens that the importer of Japanese textiles must assume in carrying on his business are emphasized in order that the misconception that the importer of foreign goods conducts a relatively safe and simple operation may be corrected.

These handicaps that must be overcome to compete successfully in the American market are stressed to demonstrate the necessity for the approximately 10-percent differential between domestic and imported items the importers must secure if he is to assume the numerous extra risks incidental to the responsibilities of being an importer.

Only items that can absorb this 40-percent differential have any chance for competition on the domestic market, for Americans generally will not purchase an imported article, other factors being equal, when there is a comparable or identical local product selling for the same price.

IMPORTABLE TEXTILE ITEMS

Most member importers emphasize that, regardless of what the domestic industry claims, there are only a few Japanese cotton textile items that can be said to be truly competitive.

Surprising as this may seem, they were able to name only about 3 or 4 types of cotton fabrics that can be imported on a steady basis, and about 6 other types only on a "once in a while" basis. For the bulk of cotton broad woven cloth, the Japanese products are outpriced by the domestic items because of American prices, high tariffs, or the inability to compete with the latest fashions, designs, and colors.

It is only in a few fabrics such as velveteens, ginghams, and 1 or 2 others that the Japanese are able to compete with the American commodity.

This explains the complaints by domestic industry relative to a few articles.

The "once in a while" imports are fabrics whose prices become competitive only when the Japanese market is depressed at the same time that the United States market is prosperous. World conditions are such that these circumstances seldom occur simultaneously.

To illustrate the cost factors which prevent the importation of most Japanese textiles, here is a breakdown for example of corduroys.

The specific item in question is dyed cotton corduroy—No. 3026 (36 inches in width). Its f. o. b. prices in Japan is 46 cents. Ocean freight costs another 5 cents, with insurance at 0.3 cents. The duty is 23 cents, and the entry charged (freight forwarders fees, cartage, etc.) are 1 cent.

The brokerage commission is 1.5 cents, and the importers' margin 5 cents (about half of usual margin). All this adds up to 81.8 cents for the Japanese import.

The United States manufacturers' price for the same corduroy is 59 cents, or a price cost differential in favor of the American product of 22.8 cents.

As with fabrics, only a few Japanese-made garments are competitive enough to share the American market. In the field of made-up goods, not only must the articles compete on a price basis, but also on other aspects such as colors, styles, designs, etc. Essentially, Japanese imports must compete in the secondary, rather than the primary markets.

They can only follow, not lead, in fashions, for instance. Because of this, Japanese imports are almost always in competition with American garment makers who are also followers, not creaters, of trends.

In many cases, these companies are either marginal or inefficient, for they do not have the handicap to overcome that the Japanese imports have, in order to be competitive.

The competition is thus confined to the highly elastic-demand lines of blouses, children's wear, boys' sport shirts, etc.

A breakdown of the cost factors in dress shirt (cotton—40s—210) is given as an illustration of why most Japanese apparels cannot compete in the United States market.

The f. o. b. price in Japan is $3.50 a dozen. Insurance and freight total 50 cents, duty 88 cents, entry charges 5 cents, broker's commission 15 cents, importers' margin 25 cents, wholesalers' markup 80 cents. This makes the price to the retailer $6.13. Comparable American shirts are available for $5.50, giving the domestic shirts a price advantage of 63 cents.

The United States Tariff Commission summarized the situation in its report to the 84th Congress (1956), in reply to Senate Resolution 236 which directed the Commission to make—

an immediate investigation pursuant to section 7 of the Trade Agreements Extension Act of 1951, as amended (escape clause procedures), 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 to cause serious injury to the domestic industry producing like or directly competitive products.

The Commission concluded:

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 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 go principally to countries such as Canada, Venezuela, the Union of South Africa, Indonesia, and 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.

DIVERSIFICATION OF IMPORTS

United States industry and Government leaders are constantly advising the Japanese to diversify their exports to this country, to concentrate on quality goods, and so forth.

The Japanese would most certainly like to oblige, but in most instances tariff and other barriers prevent them from doing so. On the other hand, when they are able to find new commodities to export, they are again subjected to charges of concentration on a particular item, to possible Tariff Commission investigation, and to new suggestions that they diversify.

When fabric imports were causing alarm in certain segments of domestic industry, the Japanese were urged to diversify their exports. They started to send in apparels and other madeup goods.

They discovered a market for their new exports. But, as they increased their exports to this country, they once again were confronted with the identical appeals to diversify into other commodities and with the same charges of "pinpointing" their exports to harm a certain industry.

No wonder the Japanese manufacturers are confused.

FUTURE OUTLOOK ON IMPORTS

Some fears have been expressed in certain quarters that the real problem with Japanese textile import competition is not in the present but in the future, for the Japanese are supposed to have the capabilities and the capacity to capture the American market at any time by "flooding" the country with their textile exports.

We believe that these fears are unfounded, for the Japanese Government has enacted legislation to limit the quantity of equipment and machinery for the textile industry; it has also established a public policy to develop synthetic and other manmade fibers.

At the same time, Japan's own domestic market for cotton textiles is being exploited with the cooperation of the International Cotton Council, a subsidiary of the National Cotton Council (of the United States), and dependence on foreign markets is declining.

In any event, added assurance against future competition, at least until 1962, is seen in the voluntary quotas on cotton textile exports to the United States.

RECIPROCAL TRADE MUTUALLY BENEFICIAL

We endorse the principle and practice of reciprocal trade because this program has resulted in mutually advantageous trade between ourselves and the nations of earth, including Japan.

According to the testimony of Secretary of Commerce Sinclair Weeks before the House Ways and Means Committee, our total trade reached a record high in 1957.

We exported approximately $19½ billion, exclusive of military aid, in manufactured articles, raw materials, and foodstuffs. At the same time, we imported only about $13 billion worth of goods in these same categories. The balance of trade in our favor was over $6 billion on a worldwide basis.

As for agricultural products, Secretary of Agriculture Ezra Taft Benson, also in testimony to the committee last February, reported that in fiscal 1957 we exported $4,700 million in food and fiber items. The output of some 60 million acres, or 1 acre of 5 harvested in 1956, was shipped abroad.

As far as trade between the United States and Japan is concerned, the United States is Japan's best market, while Japan is our second biggest buyer of all our exports and the first in the purchase of our agricultural products, especially those in surplus.

Last year, according to Japanese Government statistics, Japan bought $1,430,863,000 in American goods, while selling us in return only $636,425,000, for a trade balance in our favor of more than half a billion dollars.

Turning specifically to the subject of textiles, we find that last year Japan exported to the United States, on a foreign-exchange basis, $188,797,000 worth of textile and fiber products.

In this same period, the United States exported textile and fiber items to Japan amounting to $252,259,000.

In other words, we sold Japan textile and fiber products totaling almost $63½ million more than she sent us.

Included in the above figures are some 2 million bales of raw cotton that Japan purchased in the cotton year 1957 alone, an amount equivalent to the total annual cotton output of South Carolina, North Carolina, Georgia, and Alabama.

Volumewise, less than a tenth of this was shipped back to the United States in manufactured cotton textiles. Dollarwise, the United States sold raw cotton to Japan worth $224,524,000, while buying from Japan cotton textiles valued at only $53,793,000, for a favorable balance of $170,731,000.

Significantly, too, Japan's sales of cotton textiles to this country decreased in 1957 by some $10 million from 1956 and by some $11 million from 1955, while her raw-cotton purchases increased in 1957 by some $58 million from 1956 and by some $100 million from 1955.

Trade balances in cotton exchanges alone in our favor in 1956 were $102,614,000 and $61,230,000 in 1955.

These statistics reveal that while Japan does export cotton textiles to this country amounting to only about 2 percent of our domestic production, she purchases about a fourth of all the raw cotton sold by the United States abroad.

It would appear to be simple arithmetic to realize that if Japanese textile imports into the United States were substantially reduced, Japan would not be able to purchase as much raw cotton as she presently does, let alone the multitude of industrial and farm products and raw materials that she does.

International trade is a two-way street; we cannot expect to sell unless we are willing to buy. In the case of Japan, she consistently buys almost twice as much as she sells to us.

Of all nations on earth, Japan, probably more than any other country, must trade to survive. With limited land and even more limited natural resources, she must trade in order to live. Her energetic manpower constitutes her only real natural resource.

The United States, on the other hand, while lacking unlimited labor resources, is rich in land, capital, and management.

Thus, the United States and Japan have developed mutually beneficial trade relations under the reciprocal trade agreements program, trade relations which should be encouraged and expanded for the common good.

CONSUMER BENEFITS TOO

Too often ignored in foreign-trade evaluations are the rights of the consumers—unorganized, inarticulate, unrepresented, yet constituting 170 million Americans in our land.

Japanese textiles, in the main, by catering to different economic classes of our citizenry, have enabled many Americans who would otherwise have to do without, to enjoy the luxury of natural fibers.

In this way, new markets have been developed; for to many it is not a choice between Japanese textiles and United States products; it is Japanese imports or nothing at all.

Some customers prefer Japanese textiles because of their special qualities for the purposes they have in mind; more find that, dollar-for-dollar, Japanese textile imports are a better buy than competitive goods. They are not cheap in the sense of being shoddy or a waste of money; they are, it is true in most cases, less expensive than domestic items which many of our consumers cannot afford.

On a more general theme, it seems to us that in the past Congress has given too much consideration to the welfare of the manufacturer, while neglecting the consumer.

Protection for industry may be well enough, but it serves to impose a special tax on the consumer to subsidize the manufacturer. Moreover, it violates the fundamental right of the American consumer to buy whatever he wants at the price he is willing to pay.

The report of the Joint Committee on the Economic Report, submitted to Congress on January 5, 1956, which summarizes its recommendations and findings on foreign economic policy, has the following on this subject:

> It is hard to see why consumers should not have the right to choose such goods as desired, without regard to their origin or their foreign cost.
>
> Until we presume to replace freedom with a controlled system where people are no longer their own masters, this must be so. No group of producers should be allowed to have a vested interest in the right to dictate what our people shall consume. The excuse that such a vested interest is essential to maintaining employment is fallacious, and was not allowed to block the introduction in the past of the automobile to the detriment of coachmakers, the electric streetcar to the detriment of horse breeders, or mechanical refrigeration to the detriment of ice deliverers. Some industries can adapt to the will of the consumer who in a democracy is king. Others have not adapted, and have become extinct. * * *
>
> Our ability to command exotic products is one measure of our progress and freedom from previous limitations in the pursuit of happiness. Let our home producers use their admitted skills in advertising to compete freely with their foreign rivals.
>
> For a Government official to make a moral judgment on how we ought to spend our money is an invasion of liberty and privacy which is acceptable only where obvious public harm follows, as in the uncontrolled use of narcotics. Interference with free consumer choice must rest upon very compelling grounds, and, if these relate to the short-run problems of displacement in certain industries or localities, a solution other than restriction of consumer freedom should be chosen.

If the greatest good for the greatest number is to be our yardstick, then the rights of the consumer should be paramount and all textiles—American-made and Japanese imports—should vie on the open market for his trade.

Meaningful reciprocal trade helps to better assure this opportunity.

NATIONAL DEFENSE AND SECURITY

As developed by Secretary of Defense Neil McElroy before the House Ways and Means Committee last February:

> The free world today is truly engaged in a new kind of war. "Cold" war does not exactly describe it because weapons are being used and heat is being generated. The weapons are economic, psychological, and political. We have little choice concerning whether we fight this war or not; we are in it.
>
> It is of vital importance that we not only hold our own with these nonmilitary weapons but also make gains, for two reasons: First, if we use the economic, psychological, and political weapons effectively, the chances of ever having to use military weapons are diminished; secondly, if we do have to defend ourselves militarily, our position will be measurably stronger (for our allies will also be stronger because of trade with us).

Secretary of State John Foster Dulles, in testimony to the House committee, reminded us that Japan is the only industrial nation in the Far East and that—

> in the period of the early thirties, when world markets were closing and international trade declining, the leadership of Japan passed to those who believed that Japan, in order to earn a decent livelihood, would have to impose its rule over China and southeast Asia to insure adequate markets and sources of raw material. That led to war. Today the Soviet Union and Communist China eagerly covet the use of the industrial potential of Japan for their military and economic warfare purposes. The Japanese resist that unholy alliance. But

surely our trade policies ought to help make it possible for Japan to gain a livelihood within the free world. * * * Unless we have enlightened trade policies, we shall risk losing all that we thought we had won at so grievous a price in World War II.

Today, our Nation is faced with the greatest threat in our history, including actual attack on our homeland. We need more than ever before allies who will stand with us against the common foe and guard our ramparts of freedom around the globe.

Reciprocal trade, especially with our allies like Japan, helps assure steadfast cooperation, for mutually beneficial commerce is Japan's lifeblood.

ASIAN COMMON MARKET AND FREE TRADE AREA

Much has been made during these hearings of the European Common Market and free trade area.

In preparing to meet this opportunity to expand our trade through an extension of the reciprocal trade program, we cannot afford to overlook the possibilities of other such common markets and free trade areas. We know, for instance, that Red China, supported by the Soviet Union, would like to organize such an association among the newly independent nations of southeast Asia. We are also aware that Japan might well look to developing an Asian common market and free trade area, this time not by force of arms which proved so disastrous, but by the peaceful development of undeveloped regions that could provide her with the raw materials she needs, while purchasing the manufactured items Japan would export.

This is a rapidly changing and challenging world we live in, and we will need to be ever watchful of our national interests. In these troubled times, we need to have permanent authority to negotiate tariff and trade agreements as situations warrant and demand.

SUMMMARY AND CONCLUSION

We, American importers of Japanese textiles, believe that it is in the national interest and the general welfare that the reciprocal trade agreements program be extended.

We view this matter not as a defense of our past trade policies but rather as an opportunity to demonstrate anew our willingness to accept the leadership of the free world, to not only strengthen our own security but that of the free nations, to not only expand our own economy but also the economies of our allies—all to the end that there may be peace and prosperity on earth.

That Japan has a particularly significant relationship with the United States in security and trade matters is of special moment to us.

While we do not believe that Japanese textile imports into the United States do, in fact, injure domestic industry or segments thereof, we are not mindful that some imports from foreign lands, including Japan, might well result in actually injury domestic industry. In such cases, where an appropriate agency finds that a specific industry is being injured by imports, we are agreed that the Federal Government should provide necessary "adjustment" relief—not to assure an uneconomic industry or segment to continue to be subsidized, but to allow the workers involved, and the mills and the factories, and possibly the communities as well, to prepare themselves for new opportunities to serve the Nation more in keeping with our dynamic society and ever-expanding economy.

If it is in the national interest that these imports be admitted into our markets, then any relief for resulting injury to a particular industry should be provided by the Nation. One industry or segment should not be called upon to shoulder a disproportionate share of the impact of imports. Neither should one industry or segment be allowed to prevent imports in the national interest. As much as possible, the benefits and the injuries, if any, of the reciprocal trade agreements program should be shared by all the people.

The "adjustment" alternative should provide adequate safeguards for the rights of the individual workers, of the industries and plants involved, and, also, of communities, too, because a minimum 5-year extension of the reciprocal trade agreements program—without authority for the President to increase tariff duties above those of our highest schedule in history and without emasculating amendments—is clearly in the national and international interests of the United States and of the free world.

We urge, therefore, early Senate enactment of this legislation, to remind our allies that we are not abandoning them and our enemies that we are strengthening our sinews, militarily and economically, to better defend ourselves against all eventualities.

The CHAIRMAN. Thank you very much.

Mr. Nelson A. Stitt, United States-Japan Trade Council is the next witness. Please have a seat and proceed.

STATEMENT OF NELSON A. STITT, DIRECTOR, UNITED STATES-JAPAN TRADE COUNCIL

Mr. STITT. Mr. Chairman, my name is Nelson A. Stitt. I am director of the United States-Japan Trade Council with offices at 1000 Connecticut Avenue in Washington, D. C.

Our council has a membership of about 170 American and Japanese firms, all located in the United States, which conduct a large part of the trade in both directions between the United States and Japan.

The bill now before the Finance Committee is of great and abiding interest to the council, since that legislation will fix the direction of United States foreign trade policy for the next few years.

While all the world's trading nations are attentively watching these proceedings, those of us interested in the transpacific trade are even more keenly aware of their implications, both because the United States-Japan trade is still in the growth stage and because imports from Japan have come under increasingly heavy attack from persons more concerned with the product competition generated thereby than with the benefits to be derived from an expanded exchange of goods and services.

Japanese imports have been much in the news of late and it is therefore difficult for most persons to believe that imports from Japan represent less than 5 percent of the United States import total and less than $\frac{2}{10}$ of 1 percent of the total sales of all United States manufacturing corporations. Yet these imports have formed the basis for vociferous demands from all sides for further restrictions upon United States trade and further undermining of a United States trade policy already seriously weakened by protectionist inroads in the past 10 years.

Today we would like to direct the committee's attention to an aspect of United States trade with Japan which must be weighed against the cries of alarm emanating from industries whose difficulties, upon close examination, often have little to do with import competition.

This aspect is the stake of American industry, mining and agriculture in the Japanese market for United States exports. The United States-Japan Trade Council has just published a study, prepared by an independent firm of economic consultants, distributing 1957 United States exports to Japan by commodity by State and region of origin. Facts previously not well known or documented were brought to light, adding up to two outstanding conclusions: 1. Every State and region of the United States has profited from exports to Japan; and 2. Every major segment of the United States economy has a stake in maintaining and increasing exports to Japan.

American exports to Japan in 1957 totaled $1,226,600,000 which made Japan our best customer after Canada.

Over the past 5 years Japan has purchased more of our farm products than any other country, and was our foremost export customer for cotton, wheat, barley, and soybeans. Agricultural shipments in 1957 exceeded $455 million including $217,300,000 in raw cotton and linters, $114,300,000 in grains, $63 million in soybeans and other oilseeds, $19,700,000 in inedible animal oils, $15,700,000 in raw hides and skins, and $9,600,000 in dairy products.

Turning to industrial products, Japan in 1957 bought from the United States $240,400,000 worth of iron and steel products, $163,300,000 worth of machinery and vehicles, $61,700,000 worth of petroleum products, $54 million worth of bituminous coal, and $84,100,000 in chemical and related products.

The table attached to this statement distributes United States 1957 exports to Japan by State. Led by Texas, 7 States had exports of $50 million to $105 million; 10 States had $20 million to $49 million; 20 States had $10 million to $19 million; and the balance had less than $10 million.

These latter, upon examination, prove generally to be States with relatively small populations, where exports were undoubtedly significant on a per capita basis.

For your information, Mr. Chairman, the State of Virginia in 1957 exported over $12 million worth of Virginia products to Japan including chemicals, coal, wood, pulp, iron, and steel products and synthetic fibers.

Regionally these exports break down as follows:

Region	Value	Main commodities
New England: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut.	$30,064,000	Industrial machinery, iron and steel products, chemicals, and copper products.
Middle Atlantic: New York, New Jersey, and Pennsylvania.	100,020,000	Iron and steel products, industrial machinery, chemicals, coal, and petroleum products.
East North Central: Ohio, Indiana, Illinois, Michigan, and Wisconsin.	300,100,000	Iron and steel products, industrial machinery, soybeans, petroleum products, and chemicals.
West North Central: Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, and Kansas.	120,810,000	Wheat, soybeans, inedible animal products, iron and steel products.
South Atlantic: Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, and Florida.	108,088,000	Cotton, chemicals, coal, wood pulp, iron and steel products.
East South Central: Kentucky, Tennessee, Alabama, and Mississippi.	104,078,000	Cotton, coal, iron and steel products, and synthetic fibers.
West South Central: Arkansas, Louisiana, Oklahoma, and Texas.	174,217,000	Cotton, petroleum products, chemicals, and machinery.
Mountain: Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, and Nevada.	73,040,000	Wheat, copper ingots, fertilizer, materials, cotton, and barley.
Pacific: Washington, Oregon, and California.	85,001,000	Cotton, wheat, copper ingots, petroleum products, and machinery.

The United States Departmentof Labor has estimated that about 3,100,000 American workers are engaged in producing and moving goods for export.

On this basis, approximately 175,000 production workers are directly employed in production of commodities destined for Japan. These workers can approximately be distributed by regions as follows:

New England	6,000	East South Central	15,000
Middle Atlantic	28,000	West South Central	25,000
East North Central	45,000	Mountain	11,000
West North Central	17,000	Pacific	12,000
South Atlantic	16,000		

Comparison of employment of this magnitude with total employment in industries competing with imported products from Japan reveals the stake American labor and American farmers have in the trade with Japan.

Unfortunately, the voices of those benefiting from foreign trade are seldom heard in the Halls of Congress during trade policy debates.

The Japanese market for American goods has expanded dramatically in recent years—exports in 1957 exceeded 1950 exports by almost exactly 200 percent. This spectacular increase was not confined to only 1 or 2 products.

Over the same years exports to Japan of agricultural products increased by 30 percent. Industrial raw materials increased 29 times; coal and oil 30 times; machinery and vehicles 15 times; and chemicals 4 times. The growth in Japan's market has not ended. The Japanese Economic Planning Board has predicted an annual growth in gross national product of about 6½ percent per year over the next 5 years. This means that Japan will require more and more of our products and materials to sustain the growth of its economy.

These projections are of course predicated upon the ability of Japan to increase its exports. Without adequate foreign exchange, Japan cannot increase purchases from the United States. I would like to review briefly Japan's problems in this regard.

I shall not do so in great detail. In our testimony before the House Ways and Means Committee, a rather complete picture of Japan's trade position was set forth. The committee is referred to these hearings at page 927 for this material.

The most striking feature of United States-Japan trade is the gross imbalance, unfavorable to Japan. In 1957 total United States exports to Japan were $1,226,600,000 whereas total imports from Japan were only $602,200,000, making a deficit in commodity trade of $624,400,000.

In other words, Japan bought over twice as much from us as we bought from Japan. In the past this deficit has been made up by special dollar expenditures, such as payments for the maintenance of United States troops and offshore procurement by ICA. In 1957, however, the special payments were not enough to cover the dollar gap, and United States defense policies call for further reductions of forces stationed in Japan and hence a decrease in special dollar expenditures. Japan must in the long run look to commodity trade as a means of earning necessary foreign exchange.

Trade figures also reveal that trade with the United States is dominant in the overall Japanese trade picture. The overwhelming portion of Japan's deficit was with the United States.

These figures demonstrate clearly that if the United States is to continue to maintain present levels of exports to Japan and to increase these exports, we must be prepared to import more goods from Japan, always provided, of course, that these goods find buyers in the American market place. Restrictions upon Japan's ability to export to the United States will have inevitable and serious repercussions upon the earnings of American industry, agriculture, and mining, dependent in part upon exports to Japan.

Let me now refer briefly to the political stake of the United States in the health of Japan's economy. Japan is the workshop of Asia. It is also the major American naval and airbase in the Far East.

A strong Japan is the keystone of the free world position in Asia. To be strong, Japan must be economically viable. And economic strength, for an island nation poor in resources, means trade and more trade—with all markets, including the United States. Thus for Japan—and for all of us whose business depends upon the Japanese trade—the need for liberal United States trade policies is imperative.

With this background in mind, the council would like to comment specifically upon the legislation before the committee. We appear in general support of H. R. 12591, although it contains several provisions which we feel tend to restrict trade and which we urge the committee to drop.

We are in favor of the extension for 5 years. Secretary of State Dulles and Secretary of Commerce Weeks both eloquently testified to the necessity of a 5-year period to facilitate negotiations with the European Common Market.

The formation of the Market has implications for Japan's trade as well. In 1956 Western Europe absorbed about 10 percent of Japan's exports. The direction which the Common Market will take is as yet unclear.

On the one hand, it could develop into a protective union which would exclude goods from outside nations. On the other hand with the increased economic strength gained from cooperation among themselves, the western European nations could develop into an expanding market for imports from other countries. Which direction the market will take is in large measure dependent upon negotiation with the United States, the only other aggregate of economic power capable of bargaining with Europe on equal terms.

Japan looks to the United States, as do other nations not members of economic blocs, for leadership in trade negotiations with the Common Market.

We also endorse the grant of authority to the President to reduce present tariff rates by 25 percent, together with allied provisions, over the next 5 years in return for reciprocal concessions from other nations. This authority has been wisely used in the past to the benefit of all Americans; we believe it will continue to be so used in the future.

Our third specific observation relates not to the reduction of existing barriers, but to the possibility of erecting new ones. It is ironic that the escape clause has come to be as important or more important in public and legislative consideration than the authority to enter into trade agreements. The attention of the members of the United States-Japan Trade Council is inevitably focused much more on the escape clause than on any possibility of further reduction of tariffs. It is difficult to exaggerate the concern generated by this sword of Damocles in international trading circles. In the opinion of the United States-Japan Trade Council it is unfortunate that the administration has seen fit to recommend measures tending to tighten the escape clause. We would hope that it would be changed rather to make it less severe.

In particular, the council submits that the segmentation of industry provision has no justification in reason or policy. The escape clause, as it now reads, defines industries in a completely theoretical way that has nothing to do with real workers or real plants and equipment.

If a particular commodity meets serious import competition, relief can be granted under the escape clause, even though every company making it had done well in its total production and no workers had suffered loss of pay or jobs.

Indeed, the escape clause itself is hardly reconcilable with the theory and purposes of the reciprocal-trade program, or of our free competitive system.

We want our industries to meet the challenge of competition by greater efficiency or by diversifying to lines of production where they enjoy greater comparative advantage. Hence, the emphasis on adjustment found in the Douglas and Humphrey bills, with which we are in sympathy.

If help to industries affected by foreign competition is needed, assistance to adjust seems clearly the best method. The escape clause, on the other hand, tends to protect the unprogressive and unimaginative industries which do not move with the times.

We are not urging repeal of the escape clause, because we recognize that there may be situations where temporary tariff relief to grant time for adjustment is justified.

We do urge rejection of the provision which would permit increase of duties based upon the 1934 rather than the 1945 rates.

This is a step backward in tariff philosophy, unjustified by any developments of which we are aware. And, for the reasons just indicated, we strongly oppose efforts to deprive the President of discretion to look at the entire national interest, not just the narrow issue of injury to a few producers, in passing upon escape-clause cases.

The decrease in time from 9 months to 6 months for escape-clause investigations should be carefully scrutinized by this committee. Past experience would indicate that 6 months is not always enough time to make a thorough investigation.

If the committee decides to retain this feature, serious thought should be given to an increase in staff and appropriations for the Tariff Commission.

We fully support the grant of explicit subpena power to the Tariff Commission. We believe this will be of material aid to the Commission in carrying out its investigations, and will tend to insure that its finding are based on complete data.

This provision permitting duty increases up to 50 percent ad valorem on duty-free items is a break with the traditional separation between items on the dutiable list and on the free list. We oppose this on the ground that deletion of commodities from the free list is a matter important enough to require legislative rather than administrative action. It should be considered that most free-list items are raw materials for the use of American industry, or foods not produced in the United States.

While we are somewhat dubious, in the light of modern developments in the waging of total war, about the need for the national-defense provision, we have no specific objection thereto.

It seems, nevertheless, that the Executive has, or should be provided with, other authority that would be more effective and appropriate than tariff manipulation to support lagging defense industries, if their continued capacity is considered vital. Certainly, the procedural changes in H. R. 12591 are an improvement over the vague language of the present act.

It is sincerely hoped that abuse of the national-defense section will not be permitted. This feature of the law should not be used as a substitute for, or an appeal from, escape-clause proceedings.

Because of the imperative need for United States leadership in liberalizing and expanding world trade, we trust and believe that this committee, in its wisdom, will confine its attention to improvement in the bill now under consideration, refusing to be distracted by demands to inject protectionist devices into its provisions.

The United States-Japan Trade Council appreciates this opportunity to convey its views on this important matter to the Senate Finance Committee.

I, personally, thank all of you for your kind and courteous attention.

(Table entitled "Exports to Japan in 1957, by States" is as follows:)

Exports to Japan in 1957, by States (in order of magnitude)

1.	Texas	$105,330,000	27.	Oklahoma	$14,960,000
2.	Ohio	95,357,000	28.	North Carolina	14,868,000
3.	Illinois	95,036,000	29.	New Mexico	14,846,000
4.	Pennsylvania	92,491,000	30.	Maryland	12,941,000
5.	California	61,028,000	31.	North Dakota	12,621,000
6.	New York	59,744,000	32.	Virginia	12,565,000
7.	Michigan	54,172,000	33.	Connecticut	12,332,000
8.	Indiana	46,278,000	34.	South Carolina	12,244,000
9.	New Jersey	44,685,000	35.	Nebraska	11,826,000
10.	Mississippi	35,266,000	36.	Florida	10,787,000
11.	Alabama	31,917,000	37.	Utah	10,485,000
12.	Arkansas	31,071,000	38.	Colorado	6,954,000
13.	Missouri	29,526,000	39.	Oregon	6,593,000
14.	Minnesota	26,621,000	40.	Idaho	4,995,000
15.	West Virginia	23,166,000	41.	South Dakota	3,900,000
16.	Louisiana	22,886,000	42.	Rhode Island	3,782,000
17.	Tennessee	21,370,000	43.	Delaware	2,814,000
18.	Georgia	19,059,000	44.	Maine	2,194,000
19.	Kansas	18,944,000	45.	Wyoming	1,743,000
20.	Massachusetts	18,668,000	46.	New Hampshire	1,606,000
21.	Washington	18,370,000	47.	Vermont	1,382,000
22.	Wisconsin	18,353,000	48.	Nevada	1,263,000
23.	Arizona	17,497,000	49.	District of Columbia	159,000
24.	Iowa	17,372,000			
25.	Kentucky	16,425,000		Total	1,221,355,000
26.	Montana	16,166,000			

The CHAIRMAN. Thank you, Mr. Stitt.

Any questions?

Mr. CARLSON. Only this, Mr. Chairman. I had the pleasure of visiting Japan and several Far East countries last fall, and I agree with you regarding the importance of Japan as far as it being what you say it is, a keystone of the entire free world in that area.

I think what happens to Japan and India will affect that entire section.

Mr. STITT. I am in complete agreement with you, sir.

The CHAIRMAN. The committee then will recess until 10 o'clock tomorrow morning.

(By direction of the chairman the following is made a part of the record:)

GALLARD-SCHLESINGER CHEMICAL MANUFACTURING CORP.,
Long Island City, N. Y., June 25, 1958.

Re Trade Agreements Act of 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR MR. SENATOR: This company is engaged in both the manufacture and import of chemicals and, in this dual role, we would like to express our opinion of the Trade Agreements Act of 1958.

The benefits to be obtained from reciprocal trade in terms of international understanding and international prosperity, have been stated before you many times, by people more qualified than ourselves. All we can do at this point, is to reiterate that this is not merely a theory but is actually the case. We cannot continually export merchandise to the various countries of the world without giving them an opportunity to sell some of their merchandise in this country. It is still very significant to us that, in most areas of the world, the United States still sells more than it buys. It is also true that a very large portion of the things we import are commodities which are just not available in this country; such as coffee, cocoa, etc., etc.

In the chemical industry, it is true that imports have grown during the last few years. However, even at this point, imports are insignificant as compared with the overall chemical industry. Imports have done a very constructive job in reestablishing competition where very little existed. We keep reading in the newspapers about the high cost of vitamins and antibiotics. Imports have helped to bring the price for these raw materials to a more realistic level, which can only benefit the ultimate consumer.

Some of the most vociferous opponents of reciprocal trade only object to imports insofar as these imports compete with items that they, themselves, produce. The president of one of our largest chemical companies, who has been most outspoken in his desire to have imports curtailed, has been the largest importer of Russian benzol. As a matter of fact, not only have they been importing this benzol from behind the Iron Curtain, but they have been bringing it in by the tankerload. The fact that they have been encouraging the Communist economy and taking unfair advantage of their fellow producers, has not disturbed them in the least. However, the minute importations of chemicals that compete with his company, he finds to be very distressing.

We believe that the partisan approach to this problem is not the proper one. We must consider the worldwide implications of our actions and, in this regard, we feel that we either cooperate with our allies throughout the world or, we will find ourselves alone and shunned. We will then be concerned about what has happened to our friends and where we are going to sell our machinery, our automobiles, our chemicals, and the products of our farms.

We recommend Senate approval of H. R. 12591 in its present form, without amendments to debilitate its intent and its workability.

Yours respectfully,

F. E. Gallard.

New Orleans Cotton Exchange,
New Orleans, June 26, 1958.

Hon. Harry F. Byrd,
Chairman, Senate Finance Committee,
Washington, D. C.

Dear Senator: Throughout its long history of service to the cotton trade, the New Orleans Cotton Exchange has always been mindful of the welfare of the producer. Believing that a renewal of the Reciprocal Trade Agreements Act would assist the cotton farmer particularly in disposing of his surplus, the exchange, on October 9, 1957, adopted the enclosed preamble and resolutions, for which we now bespeak your favorable consideration.

H. R. 12591, authorizing the President to renew these agreements is now before the Senate Finance Committee. We are convinced that a renewal of these agreements will greatly benefit the producers of cotton and assist materially in solving the present cotton problem.

We therefore earnestly urge that H. R. 12591 be reported without amendment, and sincerely request your strong endeavors to prevent crippling amendments on the Senate floor.

Thanking you in advance for your kind cooperation, I am,

Sincerely yours,

Wm. J. Lodwick, *President.*

Copy of Preamble and Resolutions Adopted by the Board of Directors of the New Orleans Cotton Exchange October 9, 1957

Whereas the reciprocal trade agreements program, inaugurated in 1934, has been successful in promoting international trade throughout the world and has resulted in progress and prosperity in our own and all friendly foreign nations; and

Whereas cotton is a surplus commodity and for many years has been an important part of trade between the United States and foreign nations; and

Whereas in order that the purchasers of American cotton in foreign countries may be able to buy our cotton surplus, it is necessary for the citizens of these countries to be able to sell their products to the people of the United States; and

Whereas this board is of opinion that the reciprocal trade agreements program is therefore of great benefit to the cotton producers of the United States and should be renewed beyond its present expiration date, namely, June 30, 1958: Be it

Resolved, That the board of directors of the New Orleans Cotton Exchange respectfully request that Congress approve the renewal of this program for a substantial period by or before its expiration date;

Resolved further, That a copy of this preamble and resolutions be sent to the Senators and Representatives in Congress from Louisiana with an earnest request for their cooperation.

TESTIMONY ON BEHALF OF CATERPILLAR TRACTOR CO. TO THE FINANCE COMMITTEE OF THE UNITED STATES SENATE ON THE RECIPROCAL TRADE AGREEMENTS PROGRAM

The facts and opinions which we shall offer will, we believe, clearly indicate why it is to the particular interest of Caterpillar Tractor Co. and its people to favor freer international trade—more imports as a means to more exports. It is not, however, sufficient to appraise a matter of such importance only in the narrow context of the well-being of one company plus all who in one way or another are favorably affected by its operations. The major consideration must be the welfare and security of the United States as a whole. Insofar as it relates to the affairs of Caterpillar, our presentation should, accordingly, be regarded as more in the nature of a case study than an appeal for direct help by one concern. The facts we cite are believed to be of general application to many other concerns and industries.

In its years of formation, Caterpillar had 2 small plants and employed 2,500 people. Today the Caterpillar organization, which encompasses the United States parent and 9 wholly owned subsidiaries, has 7 domestic plants, located at Peoria, Joliet, and Decatur, Ill.; Davenport, Iowa; Milwaukee, Wis.; San Leandro, Calif.; and York, Pa. Two more plants are under construction, one near Peoria and the other at Aurora, Ill. Four major parts warehouses and 10 emergency parts depots are strategically located throughout the United States. Five other plants are located in Australia, Brazil, and Great Britain. A small subsidiary operates an emergency parts depot in Canada.

At the peak of business in 1957 employment in the entire organization reached a total of 41,500, of which 38,700 were engaged within the United States. Now, in June 1958, this domestic employment has shrunk by 13,800, of which 12,900 were laid off because of decline in business (the balance being attributable to normal attrition).

Worldwide sales have ranged from a low of $13 million in 1932 to a high of $686 million in 1956. In 1957 they were $650 million. For the present purpose however, the more significant aspect of this growth is the extent to which it has been derived from increasing foreign business. In 1956 sales to foreign countries were 37 percent of the total. For 1957 the percentage climbed to nearly 42 percent, and in the last quarter of that year, when a rapid business decline had set in, foreign business exceeded 50 percent of the total. Whereas domestic United States sales fell 13 percent for 1957 as a whole, foreign business increased 9 percent.

Impressive as these figures may be, they do not tell the whole story. In the early part of 1957 our manufacturing capacity was inadequate to meet all demands, and machines were being rationed to dealers. Beyond that, dealers and customers in many foreign countries were, as they still are, unable even to place orders because of exchange controls and other forms of import limitations imposed by their own governments. The major cause of such restrictions is the lack of United States dollars in the hands of countries which need and want the products of American industry. Without such limitations and with a climate more favorable to international trade, the volume of our exports would certainly be substantially higher in amount and larger in proportion to our total business than it was in 1957.

Now, what does this mean to Caterpillar—to those who are related to it as employees, dealers, customers, suppliers, shareholders—to our plant communities—to the United States?

Without its export business, Caterpillar would not need the valuable services of at least 40 percent of its people employed in the United States. At the peak of 1957, this would have meant about 15,500 people. Perhaps even more currently important: had exports not held up better than domestic sales during the latter part of 1957, we would have been obliged to lay off about 4,000 more people or to place more people on a 4-day week for a longer period of time.

Using a 40 percent ratio as a rough approximation of that proportion of our United States production attributable to sales outside the United States, it may also be estimated that, without such business, our domestic payroll for 1957 would have been about $75 million less than it was. Without inclusion of the many supplementary benefits, this payroll totaled $189 million.

The people we employ directly are, however, only a part of the total employment created by the Caterpillar enterprise. In each of our plant locations the needs and purchasing power of our people call for all the usual services which go into the existence and support of a balanced social community. And our purchases of the goods and services of others are a source of major employment in the plants and plant areas of our 5,400 suppliers, most of which would be identified as "small business." The magnitude of this extended effect is indicated only roughly by the volume of our noncapital domestic purchases which in 1957 totaled more than $350 million. Of this amount, for example, $67 million went to the purchase of 434,000 tons of steel in various forms. To the best of our information, this tonnage would require the employment of about 3,500 people in the steel industry. If further examples were to be quoted for other commodities obtained from many smaller industries, the proportion to which some are dependent upon our business would be impressively great.

Accordingly, while some of our suppliers—and many of their supporting industries and services—may not themselves be exporters, we, in effect, are either directly or indirectly exporters for them. And so it is with everything we consume in the processes of production, including the facilities for production. Were it not for our export business, we would not require that 40 percent of our purchased materials, supplies, and services. Neither would we or our suppliers need the additional productive capacity which we and they have been building in order to meet prospective long-term demands.

All of this points to the fact that the jobs of millions of Americans are "protected" not by tariffs designed to obstruct the inflow of foreign goods but by the ability of companies like ours to export. The old days of the walled fortress are gone forever. If we are to help our country by helping ourselves, we need more opportunity to export, not less.

The record of our own company, and that reported for United States exporters as a whole, shows very substantial gain in foreign business in recent years, and we have mentioned how this had to be obtained in spite of a number of unfavorable factors. In more propitious circumstances most of us could have done better, meaning we could have used more United States materials, employed more American labor, made more sales, earned more profit, and paid more taxes. Now we are all facing further handicaps which will affect exports adversely for, at least, three reasons:

(1) The current business downturn in the United States is having a related depressing effect upon the economies of a number of other countries;

(2) The need for imported raw materials and other goods has declined because of reduced consumption within the United States; and

(3) The monetary amounts which are earned by foreign countries through their sales into this country have declined because of the compounding of the lower volume at the lower prices induced by the lessened demand.

Now, deliberately to restrict imports beyond the unavoidably natural causes would not only harm friendly foreign countries, it would operate almost directly to increase the decline in United States exports. And within the United States, it would also lead to prices higher than would otherwise be the case. That, in fact, is usually the very basic purpose of "protection" from imports. As we think in matters of this kind, the test of validity of principle would certainly seem to lie in the effect upon the consumer—upon the great mass of all the people. Obviously, from the viewpoint of the consumer, lower prices are preferable to higher prices—and this is especially so in times like the present.

When a tariff protects an industry by keeping out foreign competition, it may keep people at work in that industry. But at the same time, it prevents the foreign country from earning dollars and thereby prevents it from buying the product of some other American company. Just as many people are kept out of work elsewhere as are kept in work in the protected industry, and the net effect is no gain in national employment—merely a shift. But the unprotected who are injured are not readily identifiable—and are not always themselves directly aware of how much they are losing. Theirs is a case which calls for an understanding Congress able to appraise the clamor of the few against the silence of the many.

We realize that much of what we have said represents an oversimplification of a fairly complex matter, but the basic fact remains: If both United States exports and foreign investments are to be sustained and expanded, there must be more, not less, opportunity for foreign countries to sell whatever they may have to offer to the United States markets. The one and only sound way for any country to obtain dollars is the same outside as it is inside the United States: earn them in the process of creating wealth—by providing goods or services for which the American people will pay dollars.

It is, accordingly, fitting that international trade be made a matter of national policy—aided by a system of law and order which places first importance upon the security of the United States. But total security is made up of many parts, and two of these at least must be considered only in a manner which recognizes their necessary mutuality: military security and economic security. The two are or should be made complementary, and it is sometimes difficult to distinguish between them. They must be consistently coordinated if action on the one is not to impair or defeat action on the other.

Thus, we understand it to be the policy and purpose of the United States to wage peace with all of the means available. Among these are the various activities carried out under the mutual security program: direct military aid, defense support, technical and economic assistance, and others. Accordingly, if we, on the one hand, find it appropriate to extend this kind of aid to any country—building it up so that it may be stronger as an ally or as a customer—there would seem to be little point, on the other hand, of tearing it down under a weakening of the reciprocal trade program.

We also understand that, in one way or another, several friendly foreign countries were induced to start or to increase production of certain metals or other commodities when these were needed for our national security purposes. For the moment that need has passed. But is that really a good or honorable reason why we should now turn on our friends and add to their already growing balance-of-payments difficulties by imposing the additional handicap of higher traiffs, lower quotas, or some other form of restraint upon their opportunities to help themselves?

And won't we need these sources again? Of course we will. But will we be able to regain access? That remains to be seen. Other countries are not going to stand still just because we are having a recession. If they cannot sell to us, they will sell elsewhere. And if they cannot sell to friendly countries, they will sell wherever they can. The Soviet Union is waiting for just such opportunities—has said so—and is grasping at them wherever they occur. It seeks to wage its fight for power through every means available and is fully cognizant of the role which international trade can play in world affairs—in alliances and in enmities—in war and in peace. And the Sino-Soviet bloc does not ply its trade on the basis of the principles of western private enterprise. It has larger immediate objectives than the pursuit of profit or the creation of capital. Under the Soviet system, money has a different significance than it does in the free world. Trade loans are being offered at a 2-percent interest rate, terms of repayment are extended beyond what we would consider normal prudent practice; and where mere money interferes, barter is an acceptable way of accomplishing desired ends. The less-developed countries with disposable surpluses are certainly going to have difficulty resisting Soviet offers to exchange these for wanted goods.

This is all part of a declared and mounting Soviet offensive to beat us, not with intercontinental missiles but with intercontinental trade. Soviet technology and industrialization have been advancing more than has been generally realized. Now the weapons of trade and aid are being brought up to the front. And we are losing ground—right now. If the outcome of congressional action is not hard practice more compatible with our ideological talk about international security and freer trade, we stand to lose even more heavily in many ways.

The Soviet Union and its satellites are not, however, the only threat. If we curtail the ability of foreign countries to buy from us, they will turn to other countries for their requirements. Britain, Germany, Italy, and Japan are friendly to us, but that is not going to stop them from being effective competitors for our business in third-party markets. The seriousness of this kind of threat can perhaps be understood only by those who know what it means to lose a market and then try to recapture. It is at best a long, hard struggle. Sometimes it cannot be done at all.

Surely it is clear that our defense, diplomatic, and trade policies must all be unified into one cohesive, consistent policy under which all actions are coordinated together for the solid achievement of one goal.

Because we, of Caterpillar, hold these opinions on the subject of international trade, we subscribe to the general principles underlying the trade-agreements program. With more specific regard to the bill now being offered under the President's sponsorship, we would favor, as proposed, extension of the Trade Agreements Act for a period of not less than 5 years.

We believe that the length of the period of extension should be governed by the practicalities of the situation—not, as some have claimed, by the term of any particular Congress. In long-range business planning, 5 years is a relatively short period on which to base elaborate plans involving investment, the development of markets, and all the related activities. In matters of this kind every possible effort should be made to provide a reasonable degree of continuity and stability. A period of less than 5 years could actually be very harmful.

At the present time, however, there is an additional special reason why 5 years should be regarded as a very minimum period of extension: the coming into being of the European Economic Community—the so-called Common Market—and the prospective creation of a related free-trade area. Particulars of that development, and its significance, are undoubtedly well known to the members of the committee and need not be recited here. Suffice it to say that those who represent the United States are going to have to have plenty of time during the important formative years if they are to negotiate as best they may to preserve for American industry a worthwhile place in the great new integrated market which will arise in Europe. These next 5 years may set the pattern for the next century.

We would also favor the proposed expansion of the negotiating authority of the President. To negotiate without adequate limits of freedom is to wrestle with tied hands; and in the period ahead, those who will conduct the negotiations are going to need all the flexibility as well as all the time which they can reasonably be granted.

This is true not only for all the usual reasons which have justified the reciprocal trade program and for the new special reasons attributable to the coming of the European Common Market. There is still another reason of increasingly serious significance: the great wave of national industrial development which is sweeping the world. Country after country is attempting to raise itself up to a higher standard of living—seeking its own self-determined salvation, working to find more means whereby more people can have more choices on what to do with their lives. Someone has aptly called it the revolution of rising expectations—a revolt against poverty and hunger, and, often, disease and squalor. One of the greatest means being employed for the achievement of goals is the creation of new industry. The evidence is to be found in all directions. And, where new industry is created, it is frequently done only on the agreed condition of, or on the proffered inducement of, protection against imports from other countries—including ours.

Apart from the voluntary decision of foreign governments, the best available means of minimizing hardships from such practices will usually be through negotiation on a reciprocal basis. The Trade Agreements Extension Act of 1958 will establish the limits of our international bargaining power. This is our timely opportunity to liberalize that power—to give it the greater range and flexibility needed in today's rapidly changing world. This is a time to strengthen our position in collective international bargaining—not a time to weaken it. And we cannot strengthen the United States by weakening the power and authority of those who are to act, on our behalf, to protect and foster the total best interest of our country.

On the other hand, we would not favor the proposed change in the base from which rates of duty could, for purposes of action under the so-called escape clause, be increased by as much as 50 percent over those prevailing on July 1, 1934. The present base, being the rates in effect on January 1, 1945—more than 13 years ago—would seem to have been and still be reasonably adequate for substantially all important purposes. Reversion to the higher rates in effect on July 1, 1934, would be a step backward—wiping out more than a decade of gains following introduction of the trade agreements program in 1934.

We would favor the President's proposal for faster action to provide relief after proper investigation has disclosed "peril point" justification as provided under the law. Provided it be sure, justice should be fast.

In this latter connection we would, however, point out that the very existence of concepts such as "peril points" and "escape clauses" operates to inhibit or deter foreign business from attempting to enter the American market. In effect, these provisions place a limit upon the foreigner's enterprise, for if he should succeed in competing effectively with domestic products—to the point where the domestic producer has grounds for protective relief—then he may expect to have his success curtailed by an upward revision of the applicable import duties, e. g., Swiss watches, British bicycles.

We recognize, of course, that imports may and do operate to curtail domestic production in certain industries and localities. It is not, however, unusual for action taken in the greater national interest to produce hardship on individuals or business concerns. The most obvious illustrations of this occur in time of national emergency, and we now seem to be obliged to live in a permanent state of cold-war emergency. Business is not as usual. The times have changed, and we all must make the necessary adaptations required for survival and success under conditions as they are—not as we would like them to be.

The world is no longer as it was 3 years ago; and it will never be the same again. Our country then needed and was given extension of the Trade Agreements Act. Today, the need is far greater—in fact, it is imperative; and the existence of a temporary downturn in our economy must not be allowed to obscure that vital fact. Anything less than a wholly effective extension of the reciprocal trade program would be to play into the hands of our enemies—to the detriment of ourselves and our friends.

This is much more than a dispute between freetraders and protectionists. It is not a case of one vested interest against another; or of Democrat versus Republican. Nor is it a matter of watches, bicycles, cheese or clothespins, oil, lead or zinc, or tractors. It transcends all these and ranks with military preparedness in this day of the intercontinental ballistic missile. We must complement the weapons of war with the weapons of peace—and the greatest of these is international trade honorably conducted among free peoples.

Respectfully submitted.

WILLIAM BLACKIE,
Executive Vice President.

PEORIA, ILL., *June 19, 1958.*

STATEMENT OF H. HARVEY PIKE, PRESIDENT OF H. H. PIKE & CO., INC., NEW YORK, N. Y.

My name is H. Harvey Pike. I am an American citizen, president of H. H. Pike & Co., Inc., a New York corporation, founded by my father in 1890. I joined the company in 1911, since which time except for 2 years in the Army I have been continuously identified with the field of foreign commerce.

I would like to urge upon you the desirability of a renewal of the Reciprocal Trade Agreements Act expiring on June 30 and a strengthening of that piece of legislation. It is of the greatest importance that as the leading exponent of a free economy the United States have a consistent and helpful policy toward trade among the free nations of the world.

As a great creditor country, it is difficult to understand the wisdom of any policy which tends to restrict the ability of our debtors to pay us and settle their unfavorable dollar balances.

When there are hardship cases of foreign competition in some particular industry, it may be desirable to help those in that industry. This might be done in some other way than trade barriers. Surely, however, it is not to the interest of the country as a whole to injure our world leadership to help some relatively small segment of our economy.

I strongly urge your favorable consideration of the administration's proposals for the extension of the Reciprocal Trade Agreements Act, and for a period of not less than 5 years. It is good business for the United States of America. It is necessary for our standing and leadership abroad.

JUNE 23, 1958.

STATEMENT REGARDING THE TRADE AGREEMENTS PROGRAM BY WILLIAM S. SWINGLE, PRESIDENT, NATIONAL FOREIGN TRADE COUNCIL, INC., NEW YORK, N. Y.

The National Foreign Trade Council believes that a large and expanding volume of international trade provides an effective and major contribution to the building up of that economic strength necessary for our continued security and freedom.

The United States today is more dependent than ever upon the maintenance of a high and rising level of international trade. This dependence on international trade has become intensified since inauguration of the trade agreements program in 1934, as our population and our economy have expanded. Now and in the future we must increasingly rely on exports, and reciprocally on expanded imports especially of strategic and other raw materials, if we are to have a prosperous and balanced agricultural and industrial economy.

Exports are of vital importance for a prosperous America. They provide broader outlets for American agricultural and industrial products. As our economy expands, we will need to expand foreign markets. For many commodities and products, exports today comprise a highly important part of total output, ranging up to 25 percent in many instances and to 50 percent and beyond in others. To many American producers, exports are not merely important, they are indispensable. And the time will come when exports will be as vital to our economy as a whole as they are now to many producers.

The present excess in exports may well be a temporary and passing phenomenon. As other industrial nations improve their production and distribution techniques, and as the European Coal and Steel Community and Common Market and similar arrangements become more and more effective, American exports will become increasingly vulnerable to more intensive competition occasioned by improvements in foreign product, price, and availability—the tripod upon which all successful marketing depends. We should, then, look to the long run as well as the short run, and be prepared to meet increased competition to our exports.

As regards imports, the United States today depends on foreign sources for a large part of the strategic and other raw-material supplies necessary to meet the needs of a high-level peacetime economy and the requirements of national defense. In the case of many such commodities, United States production accounts for only a small proportion of requirements. Furthermore, our own resources of some of the most essential raw materials are rapidly being depleted. There are other products for which we are entirely dependent upon foreign sources. In addition, this country obtains from abroad a substantial volume of semimanufactures and finished products required by the American economy.

Today, more than 4½ million American families gain their living in activities directly concerned with export and import trade. There is scarcely an individual in the country who is not dependent in some degree upon our international commercial activities. All regions and all segments of our economy have a stake in the exportation and importation of goods and services.

A large volume of international trade enlarges opportunities for the less developed countries to sell increased quantities of the raw materials, foodstuffs, and other goods which they can currently produce. It thus makes it possible for these countries to obtain from the industrially more advanced nations the capital goods and other products needed to further develop their economies, raise living standards, and achieve the diversification essential to economic stability and growing prosperity. International trade is a proven means for the fulfillment of the aspirations of free peoples for economic and social advancement and so contributes to the peace and security of all the free world, including the United States.

It would be extremely unfortunate for the United States to discontinue a program for expanded international trade relations which means so much, both to the industrially advanced and less developed nations of the free world—a program in which this country has played such an active and leading part for nearly a quarter of a century.

The National Foreign Trade Council considers the United States trade-agreements program the best mechanism, thus far devised, for maintaining a high and rising level of international trade and for preservation and enhancement of the world trading relationships required for our expanding prosperity.

The council urges the enactment of legislation to carry forward the trade-agreements program. It recommends that the extension be for a duration sufficient to stimulate confidence in the stability of our foreign-trade policy.

If the United States is to maintain a vigorous and thriving economy and if it is to fulfill its responsibilities in helping to strengthen and preserve the freedom and security of this country and other free nations, we must remain strong. There should, therefore, be continued authority under the trade-agreements program to safeguard vital interests of American producers.

The council believes that failure of the United States to support the trade-agreements program at this time would have a bad psychological effect and would be a serious blow to world confidence and to the trade relationships between free nations upon which rests to a very great extent the ability of free peoples to advance their well-being and, at the same time, remain free.

RESOLUTION TO CONGRESSIONAL REPRESENTATIVES OF WORLD TRADE CLUB OF DENVER, DENVER, COLO.

The members of the World Trade Club of Denver have approved a resolution favoring the passage of the Trade Agreements Act of 1958, H. R. 10368, as recommended by the Administration.

The World Trade Club of Denver, which was founded in 1941, has a membership of 154 representatives of Denver exporters, importers, and service industries. During the past several years the importance of world trade to the Denver area has grown substantially and now is responsible for the employment of an estimated 4,500 people, and a dollar volume of business in excess of $50 million a year in exports alone.

Some of the reasons our world-trade group favor this program are as follows:

(1) We are convinced that we cannot expect to export goods and services in the volume we have in the past unless we as a Nation are willing to import foreign goods. In the event duties are increased on either exports or imports, it will tend to reduce two-day trade. We are convinced that the industries we represent are in favor of low tariff on imports to the United States and, in turn, low tariffs by other countries on our exports abroad. We are further convinced that this can only be accomplished through an extension of the trade-agreements program.

(2) A 5-year extension of the reciprocal trade program would be of material assistance to those who negotiate for the United States in the conferences of GATT and should aid them in securing more liberal treatment for our exports.

(3) When the European Economic Community is in full operation, our GATT negotiators will need all the assistance available to them in maintaining our position in this new common market. The reciprocal trade agreement program will provide them with an important tool in accomplishing this task. It is estimated that over 4½ million people throughout the United States depend on world trade for a livelihood. An important number of these people are located in the Denver area where some unemployment would result should our world trade volume decrease. Rather, we are in favor of increasing world trade and its resultant employment, both locally and throughout the United States.

(4) It seems quite obvious to us that Russia's announced intentions to penetrate world markets and economies make the current extension of the act imperative. We should make it clear to our friends that we intend to continue trading with them, and to buy from them as well as to sell.

It is our recommendation that the Trade Agreements Act, H. R. 10368, be approved with the following provisions:

(1) An extension of the act for a minimum of 5 years.

(2) That there be no crippling amendments which would limit the freedom of the administration to negotiate trade agreements and to accept or reject Tariff Commission findings after appeals to it have been properly investigated.

(3) That quota restrictions be eliminated except in cases where the peril point has been reached and serious injury threatens an industry. Should import restrictions be approved by the Tariff Commission and administration, it is our recommendation that they be removed at the earliest practicable date.

(4) That crippling amendments not part of the previous act be eliminated.

REBECCA F. SABIN, *President.*

FOREIGN TRADERS ASSOCIATION OF PHILADELPHIA, INC.,
Philadelphia, Pa., June 25, 1958.

Hon. HARRY FLOOD BYRD,
Chairman Finance Committee,
United States Senate, Washington, D. C.

MY DEAR SENATOR BYRD: As your committee continues consideration of the Trade Agreements Act (H. R. 12591), our association requests the privilege of informing you of its stand on this legislation.

OUR MEMBERSHIP

Established in 1931, our association now comprises 254 firms with 439 individual members. They extend from New York to Wilmington, Del.; and from Reading, Pa., to Camden, N. J. They are engaged in exporting, importing, and allied service activities such as banking, shipping, transportation, forwarding, advertising, publications, credit work, etc.

OUR RECORD ON RECIPROCAL TRADE AGREEMENTS

Ever since the establishment of the RTA program in 1934, our association has consisently supported it.

WHY DO WE SUPPORT RTA?

You might say that we are self-seeking, in that the business of our members benefits from the RTA. If we admit such a charge, are we any different from those who seek personal privilege of protection for a specific line of production?

But our reasons go much further. We are a regional group; not an individual industry. Sure, some of our members dislike effective foreign competition in their respective lines of production. But the association went on record at a regular meeting held on November 20, 1957, in support of President Eisenhower's world trade policies.

Our exporting members know only too well that obstacles to the exportation of their products are not infrequently in retaliation for obstacles imposed in the United States to imports of the products of other countries.

Retaliation hurts every country that becomes involved in the act.

IMPORTS EXCEED EXPORTS IN THE PHILADELPHIA METROPOLITAN AREA

This area is essentially an importing center—petroleum, ores, sugar, woodpulp, etc. Industries in our area presently depend upon imported raw materials for economical operation.

Economical operation of industries nurtured by imported raw materials provides jobs and payrolls.

We appreciate that you have a difficult choice to make. In the name of commonsense, what justification exists for keeping a high-cost, noncompetitive industry going at the expense of a low-cost, successfully competitive industry? It would be grand if we could have both, but the choice must be made between them.

Your consideration of these views is requested.

Respectfully,

ROLAND L. KRAMER,
Executive Secretary.

RESOLUTION OF THE BISCUIT & CRACKER MANUFACTURERS ASSOCIATION ON THE RECIPROCAL TRADE AGREEMENTS ACT EXTENSION, SUBMITTED BY JOSEPH M. CREED, COUNSEL, CHICAGO, ILL.

Whereas foreign trade is vital and necessary to the economy of the United States; and

Whereas the encouragement of expanded foreign trade should be a fundamental policy of our Government; and

Wheras commerce among nations is most successfully achieved where trade barriers are kept at a minimum; and

Whereas it is desirable that the executive department of our Government have adequate authority to negotiate reciprocal trade agreements with other nations: Now, therefore, be it

Resolved, That the Biscuit & Cracker Manufacturers Association support the renewal and extension of the Reciprocal Trade Agreements Act for 5 years with ample authority vested in the President to lower tariffs on a gradual and selective basis in return for trade benefits from other countries, and further that such legislation provide for prompt and effective consideration of serious injury cases; be it further

Resolved, That these views be communicated to the proper congressional committees signifying our endorsement of this program.

Approved May 14, 1958.

DALZELL TOWING CO., INC., AGENT,
New York, N. Y., June 24, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

MY DEAR SENATOR: I am enclosing herewith several copies of a statement I made before the House Ways and Means Committee in reference to the Trade Agreements Extension Act, H. R. 12591, with the request that this statement be filed with your Senate Finance Committee.

I am, of course, primarily concerned with having this legislation passed, in the first instance, but, also, deeply concerned about the 5-year extension provision.

Indeed, my experience in foreign trade convinces me that the 5-year extension is most necessary.

Very truly yours,

LLOYD H. DALZELL.

Mr. DALZELL. I am grateful for the opportunity to appear before you gentlemen in support of the Trade Agreements Act extension.

As I have said, I am chairman of the board of Dalzell Towing Co. of New York, a business enterprise begun in 1851 by my great-grandfather, which was then and is now primarily engaged in assisting ships of all sizes and all flags in and out of New York, the world's major port.

I am also a director and the secretary of the Maritime Association of the Port of New York, a member of the board of commissioners of pilots of New York, and a member of the shipping and harbors committee of the New York Chamber of Commerce.

So much for my obvious self-interest in the legislation before you.

However, I hope my interest is broader than mere selfishness. I recently had the honor to serve as national president of the Young Presidents' Organization. This group of one thousand two hundred-odd men who became presidents of their company before they were 40, today control annual gross business activities totaling over $8 billion. They employ in the neighborhood of 500,000 people. They come from every one of the 48 States and the Territories.

With this personal background before you, let me say that I am here to urge you in your wisdom to extend the Trade Agreements Act for at least a minimum of 5 years, and to urge that you provide the tariff-reducing authority to be certainly not less than the 25 percent proposed. Of course, I would further like to urge that you place the absolute minimum of restrictive authority in the legislation, restrictions, that is, which are designed to weaken the liberal trade policy that I hope this will represent.

As a New York businessman, I am, of course, vitally interested in the tremendous volume of foreign trade moving through my port in both directions, trade which amounted to over $9 billion in 1957. I can only guess as to the number of people in the United States who depend on this volume of freight traffic for their livelihood, but it is certainly millions.

We in the port of New York district carefully estimate that there are 13 million people living and working here. The importance of trade is emphasized by the fact that 1 out of every 4 of these people gain their livelihood directly or indirectly from the port's activities. I know that more than 12,000 ships entered and left New York in 1957. Add to this the number of ships that clear the ports of New Orleans, Norfolk, Baltimore, Philadelphia, and Boston, and add the number of people involved and you will begin to have a slight idea of the impact of foreign trade on one group of American citizens.

It is, of course, even more than that; 50 percent of our imports are duty free and many are absolutely essential to our economy as we know it. On the export side, many industries, including agriculture, send over 20 percent of their production to foreign markets. Loss or contraction of these markets is instantly reflected in production slowup and unemployment, with consequences reaching far beyond the industries immediately concerned.

In recent months our exports have declined from the high levels of 1957. We have felt the effect in the New York area, and I am sure it is one of the factors contributing to the general business downturn throughout the country. I wonder how much of this decline is due simply to uncertainty on the part of other countries about the future course of United States trade policy?

Surely foreign buyers will be cautious until it becomes clearer whether the United States will continue its long-term program of gradual and reciprocal reduction of tariff and other trade barriers, or whether it will reverse the process and make exports to the United States more difficult.

This attitude would be only prudent. The difference is obviously the difference between a high-level and expanding international trade and a low-level and limited trade.

It seems to me that this committee could give our present economy no better shot in the arm, and, may I add, at less cost to all of us, than to pass this legislation in unamended form. I think the confidence this action would instill in our foreign customers would have an almost immediate effect on our export orders, which would be reflected, in turn, throughout our economy.

History teaches me that we made a mistake in 1930 when, in the midst of a growing depression, we adopted the highest tariff schedule ever. Certainly it is true that immediately after that, retaliatory action was taken against us by other countries and we had a most serious decline in foreign trade, increasing greatly the problem of recovery. In fact, I would think that, since the bottom of the depression was not reached until 1932, this decline in trade deepened and widened its effect and probably helped spread it abroad, too.

Now I am certainly not suggesting that the economic situation today is even remotely comparable to 1930, but I do suggest that it would be shortsighted for us to widen and deepen the current decline in our foreign trade if, by passing this legislation, we can in fact give it impetus.

Now, entirely aside from the economic effect on the country, many witnesses infinitely more expert than I have already testified before the committee, I am sure, as to the grave effects such a failure will have on our foreign policy and on our security policy. We are all aware of Mr. Khrushchev's ominous statement of a few months ago—we heard it a little while ago—"We declare war on you in the peaceful field of trade."

But are we aware of the extent to which many countries of the world are dependent upon trade with us and with each other? If foreign trade comprises 7 percent of our gross national product, do we realize that for countries like France, Germany, and the United Kingdom, it is 3 or 4 times as great; that for the Netherlands, Belgium, Switzerland, it is 5 to 9 times? In the case of many of the underdeveloped countries, exports and imports are a larger segment of the economy than internal trade.

For these countries foreign trade is not only important but absolutely indispensable, and the major task for government and business in those countries is to insure that sources and markets for their foreign trade continue to be available. Moreover, these sources and markets must be expanding if the economic development their populations demand is to become reality. Look at the tremendous effort Israel is making to become a major trading nation.

The Russians are everywhere offering long-term contracts, capital financing, technical assistance. If, through expanding multilateral trade with the West, made possible by gradual reduction of trade barriers, and by a consistent, liberal trade policy, particularly by the United States, these countries can be confident their goals can be achieved in reasonable time, we then can believe that Khrushchev will fail. On the other hand, without this action of the United States we would face the serious danger that many of these countries would feel it politically and economically necessary to entertain the Russian propositions.

About three-quarters of the world is at stake, to one degree or another. It is the world of our friends, of our military allies, of the political neutrals. We need them all for our economic health and for our security, and it would seem unthinkable that we would knowingly adopt any policy which would force them into the arms of our antagonists. Yet, to turn back the block in our trade legislation may well have that effect, whether or not we intended it.

During my tenure as president of the Young President's Organization I not only traveled to all of our States but also traveled extensively abroad, meeting our businessmen and Government counterparts in the European business communities of the West. I mention this in the hope that the remarks I have made will perhaps carry a little more weight with you gentlemen, being based on at least some actual personal experience.

In any event, it is my deep conviction, then, that renewal of the Trade Agreements Act for a reasonably long period of time—certainly not less than 5 years—with a grant of authority to reduce tariffs by at least 25 percent, as provided in the bill before you, is essential to the welfare of the United States. There is no substitute which can fill the gap if this legislation is allowed to lapse.

Thank you, Mr. Mills.

The CHAIRMAN. Are there any questions of Mr. Dalzell?

Mr. Dalzell, we thank you, sir, for coming to the committee and giving us the benefit of your views. Thank you, sir, very much.

Mr. DALZELL. Thank you, sir.

AMSTERDAM TRADING CORP.,
New York, N. Y., June 26, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR MR. BYRD: With reference to the hearings being held at this time on the Trade Agreements Extension Act of 1958, H. R. 12591, our organization, which is devoted entirely to international trade, would like to affirm its wholehearted support of the 5-year extension of the above act.

Our company, with its office staff in many cities of the United States, sales agents, customs brokers, truckers, and a farflung clientele which extends to all parts of the Atlantic and gulf coasts, as well as the Midwest, is only a relatively small part of the more than 4½ million Americans whose livelihood is dependent upon foreign trade.

At this crucial stage in our political and economic condition, we feel that it is most essential that we try to maintain and increase the interchange of raw materials and manufactured products between our country and those of foreign lands. Only by enabling our friends abroad to ship us the goods we want and in many cases need for our existence, can we expect to open up our trade to those areas which can become a tremendous market for merchandise produced by the American workers.

If this attempt to expand our international trade is defeated by shortsighted restrictive duties, the only result will be self-defeating in the long run, and harmful to all nations of the free world.

We therefore urge the extension of the Trade Agreements Act as a step which is of such importance at this time to the general welfare of the United States.

Respectfully yours,

JACK A. VEERMAN.

STATEMENT OF COSMO S. ANTISTA, EXPORT TRAFFIC MANAGER, CONSOLIDATED FOODS CORP., INTERNATIONAL DIVISION, SAN FRANCISCO, CALIF.

As soon as there is an economic dip or a recession, Americans become alarmed because they envision an economic upheaval. They never stop to think that such alarm contributed greatly to the panic of 1929, which resulted in a major depression. Instead of keeping the situation from getting worse some manufacturers and producers immediately clamor for restrictions and high tariffs against foreign competitive imports. Whether their action is motivated by sheer ignorance or selfishness, they are disrupting world economics and contradicting our American free enterprise and fair play system.

Americans should be enlightened on these matters and should be made aware that they all play a part in world economy and therefore greatly depend on international trade.

Our economy has grown tremendously in the last decade, and a major part of this growth is attributed to our international trade. In 1957 our exports and imports reached the highest in our history, our exports approximated $20 billion and our imports $13.5 billion. From all indications 1958 will also be a record year. Today 5 million Americans are dependent on foreign trade for their livelihood. These figures are not to be taken lightly, nor are they to be overlooked as far as our economy is concerned. The fate of $33.5 million and 5 million Americans is being jeopardized.

Protectionist forces are bringing pressure on Congress with the intention of blocking the extension of the Reciprocal Trade Agreements Act or amending it beyond recognition to a point where it will be meaningless. The renewal of the Reciprocal Trade Agreements Act in June is essential not only to our national progress, welfare and security, but to the development of the free world. Through the act's escape clause the President is authorized to raise or lower the rates when the situation warrants it—when industries prove they are being injured.

National income is more important than the comparatively few industries that clamor for restrictions. If the national economy goes down as a result of retaliatory measures from foreign countries, what will happen to those same industries? To whom will they sell their products? Not to our unemployed. The high tariff lobbyists ignore the fact that, if it were not for our Reciprocal Trade Agreements Act, our surplus products would remain in our warehouses instead of being exported abroad. It must be borne in mind that every dollar spent on imports must return to the United States in payment for new purchases of American goods. By stopping the dollar from going outside the country the sale of American products will be halted. By blocking the sale of American products the production is cut. When this happens the national economy will suffer. This means economic troubles for every American.

Reciprocal trade means agreement to trade among free nations of the world. Restrictions and high tariffs mean retaliations from the nations of the world. Since our high standard of living depends on imports of many essential materials, it is imperative that we renew our Reciprocal Trade Agreements Act for an additional 5-year period with the hope that someday the request for an extension will not be necessary.

[Written for World Trade Week, May 18 to 24, 1958]

PEACE THROUGH WORLD TRADE

By Cosmo S. Antista, Export Traffic Manager, Consolidated Foods Corp., International Division

World trade and world peace go hand in hand. Interchange of goods begets interchange of ideas, which in turn begets understanding. Through understanding comes peace.

In order to preserve our civilization it is essential to carry on a healthy international trade. No nation is sufficient unto itself, not even our own. Smugness and self-sufficiency should have gone out with the horse and buggy. An unselfish approach to the cause of peace for the world requires a lively exchange of goods and ideas, which will raise the standard of living for the entire family of nations and bring about a stable economy and peaceful existence for the whole world.

There cannot be economic stability and peace until the world at large fully understands the meaning of international trade—freedom to buy and sell everywhere on the globe.

What can be done to accomplish economic stability and peace? There must be cooperation between consumers and producers both here and abroad. A consumer naturally follows the pattern of buying where he can get most for his money. He purchases a commodity first if it meets his desire, second if it can be used, and third if it meets his income. Normally, if these three points are met, he will purchase the commodity not primarily because it is imported, but because he likes it, he can use it, and he can afford it. This is simple economics. To quote Adam Smith, the great 18th century economist: "In every country it always is the interest of the great body of people to buy whatever they want of those who sell it cheapest." According to his fundamental basic principle, the consumer is generally doing his share in maintaining economic stability.

The American producer must be farsighted enough to see that he stands more to lose than to gain if he puts up opposition to foreign competition. If imports are restricted, our exports will suffer and in turn unemployment will result. Some businessmen are so blinded by the immediate profits that they disregard sound international economics. If manufacturers, farmers, and laborers form blocs to influence Congress to raise tariffs, it is natural that the governments of foreign producers will retaliate by similar measures. At this point economic warfare begins. The protectionist manufacturers should, before they clamor for protection from foreign competition, consider that the Nation is apt to be hurt if imports are restricted.

It is true that some industries may feel the impact of certain imports. But is fair competition from abroad different from domestic competition? If we Americans believe in a free enterprise system for ourselves, we should believe in it for other people as well. Mutual trust must be created to bring about peace and stability to every nation.

Two-way trade means the preservation of our high standard of living and the expansion of it to other countries. We can isolate ourselves if we want to do without the telephone, radio, television, coffee, cocoa, bananas, natural rubber, tin, tungsten, nickel, industrial diamonds, silk, etc., etc. We can set up barriers in the form of tariffs and trade restrictions if we wish to protect some of our industries which operate without imports. We can call ourselves self-sufficient only if we want to lower our standard of living. On the other hand, if we adjust or eliminate our tariffs and simplify our burdensome trade formalities, we will find that as water seeks its own level so will international trade. To achieve complete freedom in world trade, there must be agreement among nations as to controls, restrictions, fees, and taxes. The less Government interference the better for world trade. Since exchange of goods brings about exchange of ideas among nations, that is still more reason for a free interchange of the world's resources. Protective tariffs have never brought about any amicable feelings. It should be self-evident that United States dollars cannot be spent in any other place but here—they must come back to the United States in the form of new purchases.

There is a natural law that guides the workings of division of labor. What is lost in one industry will be absorbed into another. For example: If a producer or a manufacturer cannot compete on the basis of fair competition with the foreign producer, he, rightfully speaking, should not be producing his commodity. Because the consumer who is the principal character on this stage is the loser, since he has to pay more for the product, due to high tariffs on the imported commodity. This producer should either get into some other business or find a way to put out his commodity more economically.

This may sound harsh. On the face of it it is. But let us go into it further. If the American manufacturer insists on restrictions and higher tariffs for imported goods, he is disrupting the free flow of world trade, upsetting world economic stability, and contradicting our American free enterprise and fair competitive way of life. If higher duties are placed on the imported items, the exporting country will retaliate. As a result of retaliations on any one commodity our exports will suffer and unemployment will result. On the other hand, if we take the laissez faire attitude and disregard the protectionists, we will be importing and paying for those imports with United States dollars, which dollars will be used to purchase more of other American goods. At this point the law governing the division of labor comes into play by shifting labor and other personnel to other lucrative industries. Thus, economic instability is nipped in the bud, because the loss in one industry is a gain in many industries. If the protectionist wins by obtaining higher tariffs his industry as well as that of others will suffer a loss.

Must our international trade be jeopardized or sacrificed because we fail to recognize the close interrelationship between exports and imports? Must the producer abroad be antagonized? Must our consumer be exploited by having to pay higher prices for commodities because of high traiffs and trade barriers? Must our unemployment be increased?

Fair competition has always been the lifeblood of our free economic system. It has made America what it is today. By sharing its know-how and its vast resources with the rest of the world, America raises the standard of living, the purchasing power, and the good will of all people in lands near and far. But America must also be willing to accept the fact that the rest of the world has also much to offer toward economic stability and peace.

St. Louis, Mo., *June 27, 1958.*

Hon. Harry F. Byrd,
Chairman, Senate Finance Committee, Washington, D. C.:

Realizing the importance to this country as well as our friendly neighbors we felt this need to wire you concerning the Reciprocal Trade Act now before Congress for final action. We urge and request all possible aid from you for favorable action on House-passed bill H. R. 12591 without crippling amendments, as if major changes are made it would be difficult to obtain agreement as understand hearings will not extend beyond July 3, therefore prompt action without crippling amendments is vitally needed to avoid possible Presidential veto. Being closely associated with American Chamber of Commerce of Cuba and knowing of American investments in Cuba of approximately $800 million again ask your aid for favorable action on this bill.

WALTER A. GANTNER,
President, Fulton Iron Works Co.

GENERAL STEAMSHIP CORP., LTD.,
Seattle, Wash., June 25, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

MY DEAR MR. BYRD: The matter of extension of the Reciprocal Trade Agreements Act which is before the Senate Finance Committee at the present time, we feel is of tremendous importance to the United States and that unless the present reciprocal trade agreements are extended for a period of at least 5 years in its present form, irreparable damage will be done to both our domestic and foreign economy.

Experience gained over many years has clearly demonstrated that we cannot expect to maintain a healthy level of exports without reasonable and intelligent imports. In other words, we must export our commodities to foreign nations if we are to avoid injurious surpluses and we cannot expect foreign nations to purchase these exportable commodities unless this nation purchases products of the foreign countries to enable them to purchase from us. Domestic trade as well as foreign trade is a mutual undertaking requiring a buyer and seller. If there are no buyers, the seller must curtail his production thereby reducing the level of prosperity. What applies domestically also applies in international trade and this Nation, in order to maintain its present position, must make it possible for our industries to sell abroad and also make it possible for our people to purchase foreign products in order to complete the cycle of trade.

More than any one thing before the Nation today, in our estimation, the extension of the reciprocal trade agreements is the most important. Any other course would be to return to isolationism.

We regret it is impossible for us to appear at the hearings in person but we would appreciate your making this statement a part of the records of the hearing.

Very truly yours,

GENERAL STEAMSHIP CORP., LTD., AS AGENTS,
D. M. DYSART,
Vice President in Charge, Northern District.

INTERNATIONAL TELEPHONE & TELEGRAPH CORP.,
New York, N. Y., June 25, 1958.

Hon. HARRY F. BYRD,
United States Senate,
Washington, D. C.

DEAR SENATOR BYRD: I write in support of H. R. 12591. In my considered opinion a 5-year extension of the Reciprocal Trade Agreements Act, without further watering down, is of vital importance to the economic and political well-being of the United States.

I am familiar with the provisions of the bill and with the arguments of those who oppose the bill. It seems to me that ample consideration has been given in the bill's present version to safeguard against dislocations in the labor force which may result in specific areas following the lowering of tariffs, affecting specific industries. It appears to me to be clear from the preponderance of the evidence adduced at the hearings in the House that the stimulation to world trade which an extension of the Reciprocal Trade Agreements Act would provide and the stability which a 5-year program would offer far outweigh the localized and temporary disadvantages which might result from abandonment or curtailment of the principles embodied in H. R. 12591. In view of the emergence of the European Common Market over the next few years, I consider it of particular importance that the 5-year period be retained in the bill, and that a reduction of that period would surely place us as a Nation in a most difficult position vis-a-vis the European Community at a time when we will require a well understood and well established program of trade dealings with the other nations of the free world.

I consider it fortunate that this great issue is being debated on the merits and not as a partisan political matter. The vote in the House, I suggest, is a resounding expression of the sentiment in the country on the issue. I sincerely hope that your distinguished committee will bring out the bill promptly and without crippling amendments.

Respectfully,

CHARLES D. HILLES, Jr.

AMERICAN INSTITUTE FOR IMPORTED STEEL, INC.,
New York, N. Y.

STATEMENT OF THE AMERICAN INSTITUTE FOR IMPORTED STEEL, INC., IN SUPPORT OF RECIPROCAL TRADE AGREEMENTS LEGISLATION

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: This statement is submitted by the American Institute for Imported Steel, Inc., a nonprofit association of over 30 members, comprising the leading importers, foreign mill representatives, independent merchandisers, wholesalers and distributors of steel imported from Western Europe. (The members of the institute are listed in appendix A). Their knowledge, derived from the experience of many decades in international trade, is freely offered to the committee to aid it in appraising the vital need for a 5-year continuation of the reciprocal trade agreements program.

It seems unaccountable that the continuation of the reciprocal trade agreements program, a national policy in force for decades, repeatedly approved by both political parties, endorsed and urged by both the Chief Executive and the legislative leaders of our Government, held to be essential to our national defense by the highest military advisers and necessary to our general welfare by the highest economic advisers, should still be the subject of objection. This is especially hard to understand when it is realized that in 1957 alone our exports exceeded imports by $8 billion. Yet objections are now again being made to your committee.

These objections are grounded upon the fallacious proposition that the United States of America can survive as a viable political and economic entity without continuing commercial intercourse with its allies and friendly nations on a stable long-term basis. Modern history teaches the vital lesson that nothing could more adversely influence the course of the world struggle than the strangulation of international trade which would result from crippling the reciprocal trade agreements program.

Our principal allies in Western Europe constitute a great industrial complex which must trade to exist. If we will not trade with them, then they must, to live, trade with the Communist bloc on Communist terms, with the risk of the ultimate Communist domination of the greater part of world trade. What this could do to the free world economy is foreshadowed by the effect upon the world markets in tin and other metals which even a mere 15 percent Communist control has recently had.

"We will fail (to meet the challenge hurled by the Soviet leaders) if closed markets and foreign exchange shortages force free-world countries into economic dependence upon the Communist bloc." (The President's special message to Congress on extension of the Reciprocal Trade Agreements Act, 104 Congressional Record 1142). At our own suggestion and with our encouragement, the free nations of Western Europe are entering upon a new era of economic alliance to guard against this sinister threat. The European Economic Community will establish a common domestic market. They will also, over a period of years, establish a common world-trade market with uniform traiffs, import and export policies. But unless Western Europe can coordinate its common domestic market and common foreign market with a stable free world international trade pattern, stability and progress will not be obtained. The participation of the United States is essential to create a stable free world trading system because the

United States accounts for 20 percent of world exports and 14 percent of imports and controls the entire dollar trading area of the globe.

It is imperative, therefore, that the United States declare itself prepared, and the Executive be empowered, to coordinate its international trade with the entire free world, and achieve a sound free world economy. This is no overnight task. The President has estimated that it may take as long as 4½ years for the common market to be well established, during all of which time numerous adjustments in tariffs and practices among the members of the free world market will have to be made. Accommodation of our own reciprocal trade agreements will be essential in our own direct economic interest as well as to insure the success of the new European economic structure and the stability of the world economic structure. Even to attempt to negotiate such accommodations on a short-term basis would be frustrating. The United States must have clear and continuing authority to help build a free world economy.

Iron and steel are basic to the economy of Western Europe. Its steel industry, although smaller than our own, is proportionately even more important to it. More than 75 percent of our steel imports come from Western Europe. It is in our country's obvious material interest that the European iron and steel industry be strong and stable, an end to which the United States has devoted much time, effort and money through the Marshall plan and its successors. Moreover, this industry has led the way in free world economic cooperation through the European Coal and Steel Community, the precursor of the common market. This was made possible by and can be sustained only by the reciprocal trade agreements program.

Nor does this reciprocal trade program in any way conflict with the short-term interests of our domestic iron and steel industry. The United States steel industry is the greatest and most efficient in the world. Under no conceivable circumstance could it be materially injured by imports which in 1957 were a trifling 1.02 percent of domestic steel production.

On the contrary, our domestic iron and steel industry benefits from reciprocal trade by a margin of more than 4 to 1, as is evident from the following table of steel mill products trade derived from Department of Commerce statistics:

Year	Net tons	
	Imports	Exports
1953	1,670,142	2,907,078
1954	783,657	2,659,017
1955	970,022	3,870,889
1956	1,334,338	4,156,747
1957	1,153,702	5,176,289

As Life pointed out in its issue of June 23, 1958, page 102, even in an area in which one minor, nonstrategic business may have to meet import competition the local economy as a whole benefits overwhelmingly from the reciprocal trade program because of its great benefit to the major, strategic steel industry.

Our coal and scrap industries have also been direct beneficiaries of reciprocal trade in steel. Shipments of coal and scrap to Western Europe have risen in connection with the flow of steel to the United States because Western Europe has been unable to supply a sufficient amount of these items for its mills. Coal exports in 1957 alone totaled over 80 million tons, valued at $828,683,874. Sixty-five percent of all American coal exports are brought by Western Europe. In the past 5 years the excess of our scrap exports over imports has been constantly increasing:

Year	Net tons		
	Scrap exports	Scrap imports	Excess of exports
1953	316,542	172,171	144,371
1954	1,605,860	206,560	1,399,300
1955	4,992,332	197,425	4,794,907
1956	6,279,055	270,672	6,008,383
1957	6,880,720	204,800	6,675,920

In addition to the immensely profitable export surplus in steel, reciprocal trade in steel provides many additional benefits for the economic well-being of the United States. Among the most important of these is the technical information and know-how of direct value to our country's national defense, as well as to its productive economy, received as a direct concomitant of product importation. Interlock sheet piling, now manufactured here, was originally invented by a Swedish engineer and developed in Germany. A European invention, the oxygen-converter steelmaking process, is now being installed by several American steel companies to increase productive capacity at lower cost. Similarly, the Germans developed the vacuum-steel degassing method subsequently adopted by both United States Steel and Bethlehem Steel. Also worthy of citation are the Sendzimir rolling process, a European invention developed here, the product of which is now an American export, and the Fretz-Moon pipe-production method begun here, developed in Germany, and further refined again in this country.

Reciprocal trade has enabled German and French steel producers, by selling here, to obtain dollar funds to buy from American manufacturers, at prices in the millions, continuous wide-strip mills and other rolling-mill equipment. In the last 5 years, these rolling-mill exports constituted up to one-third of our total production, and totaled almost a quarter of a billion dollars:

Exports of rolling-mill machinery

1953	\$59, 011, 105
1954	47, 230, 988
1955	36, 077, 788
1956	39, 484, 753
1957	65, 383, 790
Total	247, 188, 424

The availability of imported materials not infrequently has enabled the establishment of new domestic manufacturers in coastal areas and saved small businesses from extinction in times of short domestic supply. Moreover, European mills welcome orders of relatively small size, orders which the large domestic mills normally do not desire because their productive facilities are geared to larger tonnages.

Finally, not only the great port areas in which one-fourth of the working force is employed in international trade but the entire American economy benefits from the stabilizing effect of freer export and import trade in adjusting the imbalance between market areas of oversupply and areas of excessive demand. The free-enterprise system depends upon the free market place for its proper functioning. In today's world, the markert is and must be international, it must be stable, it must be enduring. To assure such stability and endurance necessitates a long-range reciprocal-trade program.

It is, therefore, earnestly recommended that the reciprocal trade agreements program be extended for 5 years, as the President of the United States has requested and the House of Representatives has approved.

Respectfully submitted.

AMERICAN INSTITUTE FOR IMPORTED STEEL, INC.,
HERBERT WINTER, *President*.

JUNE 27, 1958.

Of counsel: Graubard & Moskovitz, New York.

LIST OF MEMBERS

American Mannex Corp., 233 Broadway, New York, N. Y.
American Saar Steel Corp., 41 East 42d Street, New York, N. Y.
Amerlux Steel Products Corp., 100 Park Avenue, New York, N. Y.
Amerlux Steel Co., Monadnock Building, 681 Market Street, San Francisco, Calif.
Artco Industrial Company, Inc., 60 East 42d Street, New York, N. Y.
Bekaert Steel Wire Corp., 655 Madison Avenue, New York, N. Y.
Belgian American Mercantile Corp., 441 Lexington Avenue, New York, N. Y.
Coutinho, Caro & Co., Inc., 545 Fifth Avenue, New York, N. Y.
The Crispin Co., 1611 Bank of Commerce Building, Houston, Tex.
Paul J. Devignez, Inc., 507 Fifth Avenue, New York, N. Y.
Mr. R. W. East, 2510 Hillside Drive, Dallas, Tex.
Ferric Industries, Inc., 122 East 42d Street, New York, N. Y.
Ferrostaal Overseas Corp., 25 Broadway, New York, N. Y.
Ferro Union Corp., 595 Madison Avenue, New York, N. Y.
Francosteel Corp., 41 East 42d Street, New York, N. Y.
J. Gerber & Co., Inc., 855 Avenue of the Americas, New York, N. Y.
Indussa Corp., 511 Fifth Avenue, New York, N. Y.
International Selling Corp., 122 East 42d Street, New York, N. Y.
Mr. L. D. Keller, 3337 West Queen Lane, Philadelphia, Pa.
Mr. W. O. Lance, Post Office Box 65, Miami Shores, Fla.
Marcel Loeb & Co., Inc., 30 Church Street, New York, N. Y.
Wm. H. Muller & Co., Inc., 122 East 42 Street, New York, N. Y.
Kurt Orban Co., Inc., 34 Exchange Place, Jersey City, N. J.
Ovingsteel, Inc., 30 Church Street, New York, N. Y.
Pan American Trade Development Corp., 2 Park Avenue, New York, N. Y.
M. Paquet & Co., Inc., 17 Battery Place, New York, N. Y.
Maurice Pincoffs Co., Melrose Building, Houston, Tex.
Port Everglades Steel Corp., Port Everglades Station, Fort Lauderdale, Fla.
Emile Regniers Co. (U. S. A.), Inc., 415 Lexington Avenue, New York, N. Y.
Mr. Reginald V. Roberts, 281 Vernon Street, Norwood, Mass.
Walter H. Rothschild & Co., Inc., 38 Park Row, New York, N. Y.
Tricon, Inc., 864 South Robertson Boulevard, Los Angeles, Calif.
Tuteur & Co., Inc., 52 Wall Street, New York, N. Y.
Joseph L. Wilmotte & Co., Inc., 350 Fifth Avenue, New York, N. Y.
M. Wimpfheimer & Son, Inc., 250 West 57th Street, New York, N. Y.
Winter, Wolff & Co., 76 Beaver Street, New York, N. Y.

(Whereupon, at 3:15 p. m., the committee adjourned, to reconvene at 10:10 a. m., Wednesday, June 25, 1958.)

TRADE AGREEMENTS ACT EXTENSION

WEDNESDAY, JUNE 25, 1958

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

The committee met, pursuant to recess at 10:10 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), Kerr, Anderson, Martin, Williams, Flanders, Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. Our first witness this morning will be Andrew J. Biemiller, director of the legislative department of the American Federation of Labor and Congress of Industrial Organizations.

Please proceed, Mr. Biemiller.

STATEMENT OF ANDREW J. BIEMILLER, DIRECTOR OF THE LEGISLATIVE DEPARTMENT, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. BIEMILLER. I appreciate the opportunity to appear before your committee today to express the views of the American Federation of Labor and Congress of Industrial Organizations regarding extension of the Reciprocal Trade Agreements Act.

I will file my statement and summarize it briefly if that is agreeable.

(The statement of Mr. Biemiller, in full, is as follows:)

STATEMENT BY ANDREW J. BIEMILLER, DIRECTOR OF THE LEGISLATIVE DEPARTMENT, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

I appreciate the opportunity to express the views of the American Federation of Labor and Congress of Industrial Organizations regarding extension of the Reciprocal Trade Agreements Act.

From its inception more than 2 decades ago, the reciprocal-trade-agreements program has won the vigorous support of the American labor movement. This traditional support was reemphasized in the resolution unanimously adopted at the recent convention of the AFL-CIO. The resolution urged extension of the Reciprocal Trade Agreements Act for a period of at least 5 years with reinforcement of "the basic goal of the reciprocal-trade program, the gradual reduction of barriers to trade without undue hardship to American industries or American workers. The achievement of this goal must be sought, however, in the light of present-day conditions in our own Nation and in the nations allied with us in the common struggle for the preservation of freedom and democracy." The full text of the convention resolution is attached to this statement.

At the very start, let me assure the members of this committee that in restating its support for the reciprocal-trade program, organized labor has a very realistic view of this problem. This is no sentimental gesture on our part. We are aware of the hard realities of the present situation.

We firmly believe that the need for an effective program for reducing the barriers to trade is undoubtedly greater today than ever before.

We feel that this is particularly true in light of the aggressive trade measures the Soviets have been taking in recent months to expand their trade with the free world.

At the same time we are acutely aware of the hardships which an increasing flow of goods to the United States has occasionally inflicted on American business firms and American workers. This is a serious problem to which Congress must direct its attention. We do not want to see the value of the reciprocal trade program jeopardized because of the effects which import competition has produced in a relatively few industries. Rather than weakening the trade agreements program to meet this opposition, we feel that Congress should take a more positive approach to this issue. It is our recommendation that Congress should provide in the current legislation for a trade adjustment program which would directly meet the problems of these industries by providing necessary safeguards both to the business opportunities of employers and the employment opportunities of workers who may be seriously affected by import competition.

CRITICAL NEED FOR RECIPROCAL TRADE EXTENSION

There are new factors in the world situation which make the reciprocal trade program more necessary than ever before. Failure of the Congress to assure continued United States leadership in multilateral efforts to reduce traiffs would be a signal to our free world allies that we were returning to economic isolation and that we were callous to the economic requirements of other free nations.

Because foreign trade, although by no means insignificant, plays a relatively small role in our economy, it is often difficult for us to realize how essential it is for many other countries to maintain and expand their markets abroad. Indeed, imports and exports are the very lifeblood of the economies of many nations. It would be to our own detriment and the detriment of the entire free world if the United States should choose the course of economic isolation. These other nations simply cannot even contemplate economic isolation as a feasible alternative. In a very real sense, they are threatened with economic extinction unless the channels of world trade remain open to them.

MENACE OF SOVIET TRADE DRIVE

The other countries of the free world particularly need to maintain effective trading relations with the United States. Their economies are dependent on many of the products we can ship to them. However, to buy these items from the United States, they must be able to sell their products in the United States. Confronted with contraction or closing of markets for their products in the United States, many of our free world allies might in desperation seek new opportunities for trade with the Soviet Union, Red China, and their satellites.

As we know full well, the Soviet Union and its satellites behind the Iron Curtain are ready and eager to take advantage of any such opportunities that may be offered. For them, trade is a weapon in the cold war. If they can make the free world countries dependent on them for markets, they will exploit such economic ties for their nefarious political goal of world domination.

Indeed, the Soviet rulers are so bold in this drive for trade with the free world that they do not even conceal their objective. Nikita Khrushchev said only recently: "We declare war on you—excuse me for using such an expression—in the peaceful field of trade. We declare war. We will win over the United States."

Already the Soviet Union has offered trading arrangements to a considerable number of non-Soviet countries. Its efforts have been directed not only to Europe and Asia but even to countries in the Western Hemisphere as is evidenced by its determined attempt to expand its trade to Argentina. It would be the height of folly for the United States to strenghen our military posture against the Soviet Union while permitting them to enhance their economic and political position by opening up new avenues of trade with free world countries.

EUROPEAN COMMON MARKET

As the members of this committee are no doubt aware, the organization of the Common Market of 6 European nations—France, Germany, Italy, and the 3 Benelux countries, Belgium, the Netherlands, and Luxembourg, and the impending organization of the broader free-trade area embracing an even larger group of nations, including Great Britain, raises some serious problems for the United States. Let me hasten to assure the members of this committee that organized labor welcomes the establishment of the European Common Market as an effective step toward economic integration of Europe. The United States should do everything possible to assist and strengthen this movement. The European Common Market should be welcomed because it will improve the welfare and living standards of the people of Europe. We should also welcome European economic integration because the interests of the free world, both economic and political, will be enhanced by the development of more prosperous and stronger nations in Western Europe.

Nevertheless, we must recognize that unless we are prepared to negotiate realistically and flexibly, our markets in Western Europe will be seriously affected by the gradual elimination of tariffs among the member nations of the European Common Market, with gradual equalization of tariffs among the members of the European Common Market. Thus, the United States exporting industries will be faced with the problem of having to clear tariff barriers while their European competitors can export to other European countries in the Common Market without any tariff duties being imposed against them. Clearly, the United States exporters will be operating under a severe competitive disadvantage.

This is a matter of no small consequence to American labor and industry. In 1955–56 more than 16 percent of United States exports were to the 6 European Common Market countries and more than 29 percent to the countries of the potential free-trade area. The jobs of about 500,000 workers depended on exports to the European Common Market and a total of 900,000 to the entire free-trade area.[1]

It is obviously essential that we do everything possible to preserve our export markets in the European free-trade area. This means that there must be authority for negotiation of tariffs with the Common Market so as to obtain reductions in their external tariffs while they are gradually eliminating their internal tariffs. The alternative may well be a tremendous shift among the members of the Common Market away from the products of American industry toward the products of the member countries of the Common Market.

On the other hand, if the reciprocal trade agreements program is extended on a meaningful basis, it will give the United States an opportunity to provide the machinery, equipment, and other items required by the expanding economies of the member nations of the Common Market. Whether or not we will be able to contribute toward, and in a sense profit from, the growth of the economy of Western Europe will depend in large measure upon the action Congress takes on extension of the Reciprocal Trade Agreement Act.

TRADE IMPORTANT FACTOR IN DOMESTIC ECONOMY

Even if there were no Soviet threat and the European Common Market had not been organized, extension of the reciprocal trade agreements program would nevertheless greatly contribute to the welfare and prosperity of the Nation. We usually think of trade as being a relatively small part of our total economy and, as compared with some other countries, it is. But we tend to forget that foreign trade bulks larger in our economy than some of our most important industries. According to the Commerce Department, 5½ percent of the Nation's output in 1956 took the form of exports of goods and services. The value of goods exported was greater than the value of all nonfarm homebuilding or consumer purchases of automobiles or of farmers' gross receipts from crops and livestock. It was not much below the retail value of all clothing and shoes purchased by American consumers.[2]

Trade is also an important source of employment. It is estimated that at least 4½ million workers, or about 7 percent of our labor force, depend on foreign trade for their employment either directly or indirectly.[3]

Thus, while trade may not play as decisive a role in our economy as in the economies of some other countries, it does contribute significantly to our overall

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[1] Based on estimates of total number of workers dependent on exports given in staff papers presented to the Commission on Foreign Economic Policy, February 1954, p. 373.

[2] U. S. Department of Commerce, The Role of Foreign Trade in the United States Economy. Compendium of papers on United States foreign trade policy collected by the staff for the Subcommittee on Foreign Trade Policy for the House Ways and Means Committee, 1957, pp. 15–16.

[3] Ibid., p. 15.

economic strength and prosperity. There can be no doubt that our economy would be weakened if the volume of our foreign trade were to decline. Likewise, the strength of our economy will be enhanced by expansion of foreign trade.

RECIPROCAL TRADE UNDER ATTACK

All of these considerations lead but to a single conclusion. Extension of the reciprocal trade agreements program on an effective basis is essential for the political strength and economic prosperity of the United States and its free-world allies. Why is it, then, that the proposal to continue this program has evoked such bitter opposition?

The basic reason is that while there can be no doubt of the long-run advantages of foreign trade to the United States, a growing number of American industries are being affected to a greater or lesser degree by import competition. At least two reasons may be cited for this development.

One factor has been the remarkable economic recovery of Western Europe and Japan after the near destruction of their economies during World War II. Their postwar economic growth has made it possible for them to increase their exports to the United States and, in return, to purchase the output of our industries in increasing amounts. To a considerably lesser extent, the same type of development has taken place in our economic relationships with the underdeveloped countries, although actually few of the products of their much-less-industrialized economies compete with American industries. In all of this development, attention has been focused primarily on the growing volume of imports because their impact has been felt most keenly in a narrow, although expanding, sector of American industry.

A second factor is inherent in the reciprocal trade agreements program itself. There are still undoubtedly ample opportunities for further reduction in tariff duties without serious impact on American industry and labor. Nevertheless, we must recognize that the very fact that the reciprocal trade program has been in operation nearly 25 years means that opportunities for completely noninjurious tariff reductions are becoming decidedly more limited. This is particularly true for many of the items on which our trading partners particularly desire tariff reductions. It is, of course, true that multilateral trade negotiations have contributed to our economic expansion and in the long run have increased employment opportunities, but we must recognize that long-run expansion offers no solace to those who are most seriously affected in the short run. We can only ignore the particular needs of those who feel the impact of imports most directly at the peril of the entire reciprocal trade agreements program.

We are raising these issues because it is imperative that we lay all the facts on the table. There is no question that some industries have been affected by the increasing impact of import competition. Other industries, rightly or wrongly, feel that they may suffer in the future from growing import competition if the reciprocal trade agreements program is extended.

Let me hasten to assure the member of this committee that these considerations do not lead us to argue for a reversal of the present policy of gradual trade liberalization. Quite the contrary, we are virtually convinced that continued gradual reduction of tariff barriers is both desirable and necessary.

We must point out, however, the developments that have caused serious opposition to develop to an expansion of the reciprocal trade agreements program. In fact, the seriousness of the opposition to this program has already been responsible for weakening the basic principles of reciprocal trade in this year's legislation. Not only did the President's proposal make a number of concessions to the protectionist point of view, such as authorizing the President in escape-clause proceedings to raise tariffs by 50 percent of the 1934 levels, but in addition a number of other changes have been made by the House of Representatives. In effect, the President and the House have been willing to weaken the bill in order to meet the demands of the opposition.

It is our firm belief, however, that the principles of an effective reciprocal trade agreements program must not and need not be sacrificed to meet the problems raised by a gradually increasing level of imports. We believe that the problems faced by both businessmen and workers in those industries seriously affected can best be met by a more positive approach; namely, the adoption of a trade adjustment program which would facilitate the adjustment of those most directly affected by import competition.

TRADE ADJUSTMENT PROGRAM

Experience has demonstrated that the economy as a whole has not suffered from the gradual lowering of tariff barriers during the past quarter of a century. However, some few industries have been hit hard by the impact of increased imports resulting from tariff reductions. If increased trade and a continued gradual reduction of tariff barriers are in the national interest, then it must also be in the national interest to help the firms, communities, and workers adversely affected by such increased imports.

That is the basic purpose of the trade adjustment program which has been proposed by several Senators. In effect, the trade adjustment program would give the President an alternative to tariff increases or quotas under the escape-clause procedure. It represents an effort to meet the problems resulting from import competition without resorting to measures which restrict rather than liberalize international trade.

The need for an adjustment program rests on two fundamental principles: (1) Tariff policy should not be so restrictive that tariffs must be maintained at or raised to unduly high levels in every situation where the domestic industry cannot maintain levels of activity without such a high tariff; and (2) the entire burden of the impact of increased imports must not be placed on the firms and workers adversely affected by tariff reductions. If tariff reduction is part of a national policy required in the best interests of the Nation as a whole, then no one group should be expected to pay the price of that policy. It is a cost which should be borne, insofar as possible, by the Nation as a whole.

The objective of this proposal is not to subsidize the affected groups or to compensate them for injury. Instead, the aim is to help them adjust to increased imports either by assisting them to make more effective and efficient use of their present facilities or by development of new lines of production which would offer business opportunities to firms and communities and employment opportunities to workers.

The theory behind the proposal is that if by Government decision, tariffs are reduced and the reduction causes or threatens to cause serious injury, then it should be by Government decision and action that some aid, assistance, and adjustments are offered.

HOW THE TRADE ADJUSTMENT PROGRAM WOULD WORK

If the trade adjustment program were enacted, the United States Tariff Commission would be required to continue to make its findings under the terms of the escape clause. Upon application by industry, the Tariff Commission proceeds to hold hearings to determine the extent of injury before invoking the escape clause. Once the Commission finds injury or the threat of injury, it recommends to the President that the tariff be increased.

Under the present law, the President can decide either to accept the Tariff Commission's findings of injury and thereby impose the recommendation, which would be an increase in duty, or to reject the findings completely.

Under the trade adjustment program, the President would be given one additional route to follow: He could accept the Tariff Commission's findings of injury, but instead of imposing an increase in duty, he could recommend that the facilities of the trade adjustment program be invoked.

Thereupon, certain types of assistance would be available for workers, industrial enterprises, and communities.

For workers:

1. Supplementary unemployment-compensation benefits up to two-thirds of weekly earnings for 52 weeks.
2. Earlier (aged 60) retirement for recipients of old-age pensions under our social-security law.
3. Retraining for new job opportunities.
4. If necessary, transportation for entire families to new areas of employment.

For industrial enterprises:

1. Loans through the Small Business Administration for the adjustment of such business enterprises and communities to economic conditions resulting from the trade policies of the United States.
2. Appropriate departments and agencies of Government will supply "technical information, market research, or any other form of information and advice which might be of assistance in the development of more efficient methods of production and the development of new lines of production."

3. Accelerated amortization would be permitted business, industrial enterprises necessary for the * * * "development of new or different lines of production by an eligible business enterprise or a more balanced economy in an eligible community."

For communities or industrial development corporations within the communities:

1. Loans are available to communities and industrial development corporations on the same basis as their availability to business enterprises.
2. Technical information, market research, and any other form of information and advice are available to the community on the same basis as to industrial enterprises, as long as such information is designed to develop a more balanced and diversified economy in the community.

In order for any workers, industrial enterprises, or communities to avail themselves of these aids, they must receive a certificate of eligibility from the Trade Adjustment Board. The Board is to be appointed by the President and composed of five members from among the officers and employees of the executive branch of the Government. The Board determines eligibility and issues certificates on the basis of the United States Tariff Commission's report to the President.

The Board is authorized to hold whatever hearings are necessary to make such determinations.

ARGUMENTS AGAINST TRADE ADJUSTMENT PROGRAM

Opponents of the trade-adjustment program fall into two categories. In the first group are the arch-protectionists. Committed as they are to more and more restrictions on trade, they recognize that they would lose a powerful argument if the trade-adjustment program were adopted. Since the trade-adjustment program would largely mitigate the injury of domestic industries adversely affected by import competition, the advocates of trade restriction would have to admit that they were unwilling to make any adjustment whatsoever to the changes resulting from expanding trade even though such changes are in the national interest and would not result in undue hardship to any single group.

The second group opposing the trade-adjustment program comprise those who favor a more liberal trade policy but oppose the trade-adjustment program either because they underestimate the strength of the opposition to the reciprocal trade agreements program or because they are too timorous or too doctrinaire to undertake the steps necessary to assure a continuing reciprocal-trade program.

Let me take up then the major criticisms that have been raised by those opposing the trade adjustment program:

1. It is sometimes argued that the trade adjustment program would require the establishment of a huge new administrative setup. The actual fact is that the propsoed trade adjustment program simply involves adding one new facet to the existing escape-clause procedure. The program could be established without the creation of any new administrative agencies.

The program is envisaged as simply an additional route which the President might take in escape-clause procedures. With the trade adjustment program in effect, the President would have discretion, after a Tariff Commission finding of injury or threat of injury resulting from increased imports, to invoke the provisions of the Trade Adjustment Act instead of raising tariff duties. Decision as to whether particular firms, workers, or communities were eligible to receive assistance under the program would be determined by a Trade Adjustment Board composed of officials of the executive branch of the Government. The actual assistance offered would be administered by existing Federal and State agencies, including the Small Business Administration, the Commerce, Labor, and Health, Education, and Welfare Departments, and State unemployment insurance agencies. Thus, no new administrative setup would be required for the program.

2. There are some who believe that the trade adjustment program would involve a tremendous expenditure on the part of the Federal Government. Actually, the cost of the program to the Federal Government would be quite limited. Since the actual impact of imports is confined to only a very small sector of the economy, the number of workers, firms, and communities receiving assistance under the program would be quite small.

It has been estimated that even if all tariffs were to be temporarily suspended only 200,000 to 400,000 workers might be affected of whom only about one-third are in nonfarm employment. However, since no such drastic step is anticipated, the actual scope of the program would be very much smaller. According to the United States Department of Labor, in 23 industries in which the Tariff Commission found injury or threat of injury in escape-clause actions from April 1948 to March 1957, the maximum total displacement was 28,000. This is obviously a much more relevant figure for use as to the scope of the trade adjustment program than the much larger estimate of the number of workers who might be displaced by temporary suspension of all tariffs.

It is important to realize that most of the types of assistance contemplated in the trade adjustment program involve no outright additional cash outlays by the Federal Government. Instead, they involve such forms of assistance as loans, accelerated amortization, and technical assistance. Only the supplemental unemployment compensation and the very limited stipends for transportation of workers and their families to new areas of employment involve actual outlay of Federal funds.

It is of course impossible to estimate accurately in advance the precise amount of appropriations that would be required. During the past 9 years, the average annual displacement in industries involved in escape-clause procedures has been about 3,100. Moreover, many workers would not receive benefits for the full 52 weeks permitted by the bill. Thus, it is much more likely that the annual cost of the supplemental unemployment compensation would be somewhat less than $2 million. To this might be added a maximum of perhaps $150,000 a year for transportation stipends for workers moving to other communities. Thus, the total cost of the program would be a maximum of $2 million a year and probably less than this amount.

3. Some of those who oppose the trade adjustment program contend that some types of assistance are already available to those adversely affected by imports. Of course, this is true. For example, some types of technical information are available from the Commerce Department for any business or community, including those affected by imports. The Small Business Administration makes certain types of financial assistance available to small firms generally. The Labor Department as well as the Department of Health, Education, and Welfare sponsor certain training programs without regard to whether the workers utilizing such services have been displaced from their jobs by imports.

Thus, there are already some programs which can be invoked to help those adversely affected by import competition. These programs, however, are no adequate substitute for a comprehensive trade adjustment program.

In the first place, they are not specifically tied to trade. With enactment of the trade adjustment program, companies, workers, and communities affected by imports would have the assurance that they would have available to them certain services, facilities, and types of assistance specifically geared to their needs. The facilities would be tailored to meet the particular needs of those faced with the special problem of adjustment to import competition.

Secondly, how would such existing uncoordinated programs concentrate on a specific problem created by import competition? With the trade adjustment program, the President could immediately, upon a finding of injury by the Tariff Commission, start in motion the machinery to aid and assist in the adjustment procedure. Without the Trade Adjustment Act, the President must either accept or reject the Tariff Commission's findings.

Thirdly, existing programs are inadequate because they do not include a number of essential types of assistance which the trade adjustment program would make available, including supplementary unemployment compensation, earlier retirement under social security, transportation to new areas of employment, accelerated amortization and loans to communities and industrial development corporations. All of these are necessary if the necessary tools are to be made available for facilitating adjustment to the impact of import competition.

4. It is argued that there is no more reason to provide special assistance to those adversely affected by tariff reductions than for others who are suffering economic adversity for other reasons. For example, in rejecting the trade adjustment program, the Randall Commission said:

"In a free economy, some displacement of workers and some injury to institutions is unavoidable. It may come about through technological change, alterations in consumer preferences, exhaustion of a mineral resource, new inventions, new taxes, or many other causes. Since it has never been seriously proposed that the burden of all such injury arising in a free economy should be assumed by the Government, the Commission felt that it was not appropriate to propose such a plan in the tariff area only."

The answer to this argument is that those affected by import competition resulting from reduced tariffs are victims of a Government decision. If the Government decision is right, then it is the responsibility of the Government to assist those who must make adjustments because of the consequence of the Government decision.

Even if this point is accepted, it is then argued by some that tariff reductions are not the only decisions that may be made by the Government which adversely affect particular groups in the economy. For example, the Government may decide to cut back civilian production in order to stimulate output for defense purposes or at other times to reduce defense output when it is no longer needed. Such decisions may also result in displacement of workers or hardship to firms or even communities.

There is an important difference, however, between the effects of Government decisions on defense production and on tariff levels. Where a producer because of a Government decision converts from defense to civilian production, or vice versa, this involves an adjustment into a market that is readymade for him and expanding. In a war situation, the Government needs and will buy the defense items he will produce. At the end of the war when he converts to civilian production, the public needs and will buy the peacetime products which have been unavailable during the war. In either case, the producer and his employees can confidently expect to benefit from an expanding market.

The situation of those affected by import competition is just the opposite. A firm in this plight is faced with the problem of having lost part of its market to the foreign producer. It must either become more efficient in order to win back the portion of the market it has lost or it must be helped into some other type of production in an expanding field where just because it is an expanding industry the new producer will not be depriving those already in that industry of the market which they have developed.

It is clear that for the firm confronted with import competition no automatic adjustment is possible. It will not only be of help to those directly affected but also in the best interest of the Nation for the Government make available to him, his employees and his community the assistance they need to make an effective adjustment to import competition.

BROAD SUPPORT FOR THE TRADE ADJUSTMENT PROGRAM

Whether intentionally, or not, some have misrepresented the trade adjustment program as a "labor program." Perhaps this impression may have developed in part because this program was recommended in the report of the Randall Commission by President David J. McDonald of the United Steel Workers of America who was a public member of that Commission. As I have already indicated, the program is by no means exclusively aimed at assisting workers. On the contrary, that is only one limited phase of a program which encompasses a number of other effective types of assistance to business firms and communities.

Moreover, the trade adjustment program is supported by business leaders and experts in the trade field who recognize that this type of program is essential if we are to have a continuing effective reciprocal trade agreements program. In an appendix, I have quoted from a number of statements endorsing the principles of the trade adjustment program. Those who have indicated support for this program include:

John S. Coleman, chairman of the board and former president, United States Chamber of Commerce.
William L. Batt, former president, SKF Industries.
George L. Bell, president, Committee for a National Trade Policy.
Fred H. Klopstock and Paul Meek, Federal Reserve Bank of New York.
Howard S. Piquet, senior specialist, International Economics, Legislative Reference Service of the Library of Congress.
W. S. Woytinsky, outstanding economist and expert on international economics.
Walter S. Salant, Brookings Institution.
Richard N. Gardner, associate professor of law, Columbia University Law School.
Charles P. Kindleberger, professor of economics, Massachusetts Institute of Technology.
N. Arnold Tolles, professor of economics, New York State School of Industrial and Labor Relations, Cornell University.
Jacob Viner, professor of economics, Princeton University.

The trade adjustment program is a broad program with support from a broad cross section of the community. Its enactment would provide essential justice to those affected by imports and would contribute to the broad national interest in reducing the barriers to trade. We urge this committee to incorporate at least the basic principles of the trade adjustment program as an essential part of the overall Reciprocal Trade Agreements Act.

FAIR LABOR STANDARDS AND INTERNATIONAL TRADE

The labor movement has long advocated the principle that fair competition in international trade requires fair labor standards in exporting industries. This principle has been given at least some official recognition in recent years.

In its January 1954 report, the President's Commission on Foreign Economic Policy (Randall Commission) stated:

"The clearest case of unfair competition is one in which the workers on a particular commodity are paid wages well below accepted standards in the exporting country. In such cases, *our negotiators should simply make clear that no tariff concessions will be granted on products made by workers receiving wages which are substandard in the exporting country.*" [Commission's emphasis.]

During the tariff negotiations between the United States and Japan in 1955, explicit recognition was given for the first time in the framework of a tariff conference to the importance of fair labor standards as an objective in tariff negotiations. At the conclusion of that conference, the head of the Japanese delegation formally stated to the chairman of the United States delegation:

"In connection with the recently concluded tariff negotiations sponsored by the contracting parties involving Japan, it is the foremost concern of the Japanese Government that wage standards and practices be maintained at fair levels in industries, including export industries, of Japan."

We are, of course, aware that this issue has been raised by opponents of a liberalized trade policy as justification for restricting trade. That is not our purpose in asking that attention be focused on the problem of fair labor standards in international trade. Instead, our aim is to secure an improvement of the labor standards in exporting countries as a means of equalizing competition in international trade. We are convinced that the best interest of our own country and countries seeking to export to us will be served if our efforts will be directed toward the twofold objective of expanding trade and raising labor standards in exporting countries.

If this is the objective we are seeking, then our course should be to make tariff concessions in accordance with a liberal trade policy, but for those items made in industries where there are unfair labor standards in the exporting countries, our concessions should be for a limited period and their continuing effect should be conditional upon sincere efforts in the exporting country to eliminate unfair labor standards. Such efforts will be enhanced by the economic opportunities afforded by the expanding market opened to the exporting countries which would provide the earnings necessary to increase productivity and thereby improve labor standards. At the end of the stated time period, if such efforts have been made—efforts which in the context of the economic framework of the competing firms in the two countries would tend to narrow unwarranted differentials and labor costs—the concessions would continue in force. Failure of the exporting country to take steps to eliminate unfair labor standards would be grounds for withdrawal of the concession. However, it would clearly be in the interest of the exporting country, even if no other internal political or humanitarian consideration were involved, to raise its labor standards and thereby maintain its export market.

We urge that specific recognition be given to the principle of fair labor standards in international trade in the legislation extending the reciprocal trade agreements program. We ask the Congress to direct the President to make the promotion of fair labor standards in international trade a major objective of our international trade policy.

CONCLUSION

The measure now before the committee, H. R. 12591, already incorporates a number of amendments which weaken to some extent the effective operation of a reciprocal trade program. The AFL–CIO did not support these amendments and would prefer that they be deleted from the bill. At the very least, we firmly believe that no further weakening amendments should be added by this committoo. We especially endorse the 5-year provision of H. R. 12591 because it would permit constructive participation by the United States in negotiations involving the European Common Market in 1961.

In conclusion, I wish to reemphasize the conviction of the AFL-CIO that reduction in barriers to trade and expansion of international trade are in the best interest of the United States and the entire free world. However, mere recognition of the desirability of a liberal trade policy is not sufficient. We must face up realistically to the serious problems which a liberal trade policy raises.

In particular, we ask that the Congress establish a program of adjustment to mitigate the impact of import competition and promote as an essential part of the reciprocal trade program international acceptance of the principle and practice of fair labor standards in international trade. Both programs would significantly contribute to a more effective trade policy which would advance the welfare and strengthen the security of the United States and the entire free world.

AFL-CIO 1957 Convention Resolution on International Trade

Unanimously adopted by the Second Constitutional Convention, American Federation of Labor and Congress of Industrial Organizations, December 12, 1957

From its very inception nearly 25 years ago, organized labor has been among the stanchest supporters of the reciprocal trade program. The trade-union movement has recognized that the fundamental principles of this program—expansion of international trade and gradual removal of restrictions upon the exchange of goods among nations—are fully consistent with and promote the national interest of the United States and the economic and political strength of the entire free world.

Our international trade policy must be considered as an integral part of our overall foreign policy. Our economy, as well as our national defense, depend in part on a considerable number of materials and products which we must import from abroad. Likewise, many of our industries export a sizable proportion of their output to other countries. Therefore, expansion of foreign trade is essential for our national welfare.

Even more important, we must recognize that many nations of the free world depend for their very existence upon foreign trade. Our markets must remain open to them if they are not to turn in desperation to trade with the Soviet bloc. Thus continuance of the reciprocal trade program and gradual reduction of tariff barriers are essential to the economic strength and welfare of the entire free world.

International trade is, to a considerable extent, dependent upon the level of economic activity in the various countries. A decline in full employment and general business activity in the United States certainly will affect the overall level of international trade. Conversely, prosperity in America will increase trade opportunities.

The reciprocal trade program, now scheduled to expire in mid-1958 should be extended for a period long enough to assure a reasonable measure of stability in international trade. In extending the program, moreover, the Congress should reinforce the basic goal of the reciprocal trade program, the gradual reduction of barriers to trade without undue hardship to American industries or American workers. The achievement of this goal must be sought, however, in the light of present-day conditions in our own Nation and in the nations allied with us in the common struggle for the preservation of freedom and democracy.

In order to facilitate this objective the President of the United States must be granted additional negotiating authority. However, such liberalizing steps must be accompanied by adequate protection of the interests of United States workers and firms that may be adversely affected by import competition. We therefore favor continuance of the basic principles of the peril-point and escape-clause procedures. The present authority of the President to pass on the Tariff Commission's recommendations in escape-clause proceedings should not be altered.

We urge that positive programs be adopted directed toward the dual objective of expanding trade and safeguarding the welfare of American labor and industry.

Establishment of the principle of fair labor standards in international trade would afford one significant way of accomplishing this objective. In multilateral tariff negotiations, the United States should make every effort to seek effective action by exporting countries to establish and maintain fair labor standards in their exporting industries consistent with productivity levels in exporting industries and the economy at large of the exporting country. We should also seek to obtain acceptance of this principle in the ILO and among the contracting parties to the General Agreement on Tariffs and Trade (GATT). Our aim in these efforts should be not to provide an excuse for restricting trade, but to secure improvement of labor standards in exporting countries as a means of equalizing competition in international trade.

In addition, it is essential that an effective adjustment program be established to meet the problems resulting from import competition. The President should therefore be authorized to provide various measures of assistance to workers, industrial enterprises and communities to adjust to the problems created by increased imports. In certain instances, it may also be desirable to develop specific programs aimed at alleviating deteriorating conditions in specific industries.

The whole program of multilateral trade negotiations will be made more effective by establishment of the Organization for Trade Cooperation. This would provide a much needed permanent international organization for the administration of the General Agreement on Tariffs and Trade. While it would not affect trade policies or tariff levels, it would provide necessary administrative machinery for multilateral trade negotiations as well as a forum for discussion of important international trade issues: Therefore be it

Resolved, That the AFL–CIO reiterates the traditional support of the labor movement of the reciprocal trade program and urge the Congress to extend the Reciprocal Trade Act for a period of at least 5 years.

Consistent with both domestic and international economic requirements and within the framework of continued application of the peril-point concept, the President should be given additional authority to negotiate changes in existing tariffs.

The escape-clause procedures should also be retained and the President should be authorized to provide various types of assistance to workers, firms, and communities adversely affected by increased imports. In addition, where necessary, consideration should be given to development of specific programs, tailored to the requirements of specific industries, to aid adjustment of affected industries.

It should be a fundamental part of our national trade policy to foster the principle of fair labor standards in international trade through multilateral trade negotiations and commercial agreements and in the ILO. In particular, the United States should seek to obtain efforts by exporting countries to establish and maintain fair labor standards in exporting industries consistent with productivity levels in such industries and the economy at large of the exporting country.

Congress should, at the earliest possible date, authorize United States membership in the Organization for Trade Cooperation.

Statements of Support for Trade Adjustment Program

John S. Coleman, chairman of the board, former president of chamber of commerce

"I do no want to suggest that while tariffs are being reduced there may not be some dislocations in certain limited sectors of industry. And I think that when such dislocations come about as a result of an overriding national policy the Government should take appropriate steps to cushion the transition. To say that such changes may produce dislocations does not mean, however, that the changes should never be made. That would attribute a rigidity to our system which it does not have. The point I am making is that while we must not try to prevent these changes, we must find some form of governmental action to mitigate their effects."

William L. Batt, former president, S. K. F. Industries

"* * * the organization which I represent [Committee for a National Trade Policy] is quite prepared to support some phases of the proposals now before the Congress for easing the transitional difficulties of the workers and the firms which cannot make the shift on their own resources.

"It is one thing, however, to be willing to ease this shift. It is quite another to block the shift altogether. As a nation, we can afford the first alternative;

but we cannot afford the second. We are caught up in a world in which we shall grow or die."

George L. Bell, president, Committee for a National Trade Policy

"* * * in some cases American industry and labor might be seriously affected by imports of a competing product—not nearly so many as cry their fears—but still a few. They should be helped to adapt to such contingencies if successful adaptation is beyond their own resources to accomplish. The response of a dynamic free enterprise system is adaptation, not protection against import competition (except in the most exceptional cases, such as those involving a clear case of national-security implications—a relief, I might add, that should not be abused). Legislation—some bills have already been proposed—is needed that would make available to industries, labor, and communities seriously affected by imports, Government assistance in helping them to convert to new forms of production and employment."

Fred H. Klopstock and Paul Meek, Federal Reserve Bank of New York

"The policymaker is inevitably faced with a dilemma. On the one hand, the national economy stands to benefit directly by switching its resources to industries where it does possess a comparative advantage from those where foreign costs and prices are lower than domestic enterprise can match. We gain from trade when costs differ and to equalize foreign and domestic costs would rob us of the gains in real income which regional specialization makes possible. Moreover, to curtail imports is to limit the expansion of markets for our more productive export industries. There may be much to be said for some special short-term assistance to enable industries, which are exposed to ruinous outside competition, to move into new activities where competitive coexistence is possible. The shifting of men and machines will be, of course, greatly facilitated by the continued expansion of the domestic economy."

Dr. Howard S. Piquet, senior specialist in international economics, Legislative Reference Service of the Library of Congress

"In the belief that tariffs should be reduced in order to stimulate imports, it has been proposed that a program of adjustment assistance be adopted to facilitate the economic adjustments in the domestic economy that would be necessitated in cases where tariff reductions might cause some hardship. Such assistance would be modest in scope and would consist of increased allowances under the unemployment-insurance law, assistance to distressed communities, assistance through the Small Business Administration to companies finding it necessary to adjust to new lines of production, et cetera. Such a program would not be very costly since the displacement effects of tariff reduction are not very great.

"The adoption of such a proposal would make it easier to reduce duties in the national interest, since those in positions of responsibility would realize that innocent victims of increased imports would not be called upon to bear the ultimate burden. It would also make it easier for the economy to adjust to lines of production more consistent with the aptitudes of the people and the environment. Unless some such program is adopted, further tariff reductions undoubtedly will result in intensified pressure upon Congress to legislate tariffs and other trade restrictions directly. This is already in evidence by the number of bills that have been introduced seeking to impose absolute import quotas and also by the recent experience with regard to lead and zinc."

Dr. W. S. Woytinsky, economist and expert on international economics

"More thought should be given to help the injured industry or community by means other than withdrawal of concession in tariff duties or suppression of competition by import quotas. Such measures may include loans for diversifying and modernizing production, accelerated amortization allowances for the industry, loans for community development, promotion of retraining and resettlement of affected workers. All such measures may meet with serious objections, but they seem preferable to the idea that consumers who prefer imported articles to the domestic product must be brought back to the domestic producers by high tariffs and low import quotas."

Walter S. Salant, Brookings Institution

"The fact that specific dislocations occur every day does not of itself imply, however, that Government has no responsibility to avoid or prevent the dislocations that may result from its own acts, such as a reduction of import barriers. Some people argue that it is in the nature of business that it involves risks and that the Government need not be concerned. Others argue, or more often imply, that Government should not take the actions which will result in dislocations. It appears to me that if the Government is convinced that a reduction of import barriers would be desirable and would be in the general interest on other grounds, it ought not to refrain from reducing them merely because somebody would be hurt. At the same time, I believe it clearly has a responsibility to undertake the reduction in a manner that causes the minimum of hardships. It seems to me perfectly feasible to work out a way of protecting the import-competing industries from the worst effects of dislocation without avoiding dislocation itself. The painful effects can be minimized in a number of ways. I believe that it would also be possible to work out scheme to facilitate the adjustment to these dislocations without getting into the difficulties that are involved in proposals to compensate for injury."

Richard N. Gardner, associate professor of law, Columbia University Law School

"We ought to consider a new system of escape-clause relief under which a finding of injury to an industry (the terms being defined more narrowly than at present in accordance with my earlier observations) would be the occasion for a temporary tariff increase coupled with a temporary program of Government aid, mainly from existing sources. The sole purpose of the Government aid would be to assist the producers, workers, and communities to adjust to more efficient lines of production."

Charles P. Kindleberger, professor of economics, Massachusetts Institute of Technology

"* * * it would be useful as an alternative to the imposition of tariffs under the escape clause or quotas under the national defense procedure to develop procedures for adjustment required by increases in imports of a substantial sort, where capital and labor are stranded and are not in a position to help themselves. Such industries might be designated by the President as entitled to special assistance from the Small Business Administration, in unemployment compensation, supported by the Federal Government through the States, in retraining programs, in the doubling of tax losses for carryover, etc. Such a designation and the benefits accruing under it should be limited in time, and should be made available only after special study and published findings by an adjustment board."

N. Arnold Tolles, professor of economics, New York State School of Industrial and Labor Relations, Cornell University

"An alternative, or possibly a supplement, to automatic decreases in protection, might be a policy of compensating the American producers who suffered serious injury because of increased imports from abroad. Instead of recommending increased import restrictions or resisting a reduction in such restrictions, it would be better if the Tariff Commission certified such cases for special adjustment grants and/or loans by the United States Government. Instead of shoring up the position of domestic producers by increased or continued restriction of imports, the Government might better pay the cost to help to meet part of the injury from liberalized international trade. This kind of governmental assistance would help to meet the specific problems of American producers, while encouraging the growth of international trade.

"This second proposal would be much less costly to the American economy as a whole than a policy of protection against any imports which might threaten serious injury to an American industry.

"The essence of this second proposal is that any specific serious injury from increased imports should be covered, in part, by the United States Government, when this serious injury was determined to be the result of relaxation of import restrictions. By these means it would be possible to reduce the present restrictions on imports to the United States and to also face up to future cases where foreign imports might cause serious injury to certain American interests—not by restricting imports but by overcoming the problem of injury to the particular American interests which might suffer from the import competition.

"A good precedent for this second proposal is provided in the arrangements for the new European Common Market. An integral part of this recent international agreement consisted of a common adjustment fund, to be used to assist the particular producers which might be injured by this plan of reducing trade barriers. The continental Europeans have evidently concluded that the gains of unrestricted international trade justify the indemnifying of the losses of those particular producers who may be injured by the reduction of trade barriers.

"Various methods of compensating the injured American interests might be contemplated. First priority should be given to the wage earners in the industry which may be injured by the competition of increased imports. These wage earners have smaller reserves and more restricted opportunities than do the investors or managers of American enterprises. One feasible plan would be to increase the amount and duration of unemployment benefits of workers in any industry which might be certified (by the Tariff Commission or another appropriate agency) as being threatened by loss of earning opportunity because of competitive imports.

"Admittedly, it is difficult to provide an acceptable basis for indemnifying the owners and managers of invested capital in a company which is faced with serious injury because of increased imports. There are obvious problems connected with the determination of the true depreciated value of invested capital and the extent of the potential decrease in the value and earning power of that capital as a result of any prospective increase in imported goods. However, the United States Government might well provide some practical offset to the short-run injury to investors and managers in the form of accelerated depreciation (for income-tax purposes) in the form of longer periods of carry-back of past business losses (again for income-tax purposes) and in the form of low-interest or guaranteed loans to enterprises which might be certified as facing serious injury because of increased imports. Both the method of income-tax allowances and the method of low-interest loans have been used by the United States Government in similar, and no more justified, cases than in the case of the enterprise which faces this kind of immediate need for adjustment in the interest of the general economic welfare."

Jacob Viner, professor of economics, Princeton University

"This is an interesting proposal, although the idea of compensating for the damage done by legislative reform or change is not new. According to some historians, the abolition of slavery in the British Empire came a generation sooner than it would have otherwise because the Government gave generous compensation. Similarly the British temperance movement in the 1870's and 1880's was able to reduce the opposition because the government reduced the number of liquor licenses by buying up those it regarded as in excess at fair appraisal of their market value before the new legislation. The lesson I draw from this is that one of the arguments for compensation is not merely the equity of it but also that it makes reform possible by diminishing opposition."

Mr. BIEMILLER. From the beginning organized labor in America has been enthusiastic in its support of the reciprocal trade program. That is conditioned primarily upon two factors.

First, we regard the continuation of the reciprocal trade program as very important to the welfare of the United States.

We are convinced that if the free world is to remain free, if we are to defeat the Communist war threat, and they use trade as part of their war tactics against the free world, it is essential that we renew the Reciprocal Trade Agreements Act for at least 5 years and, if possible, for an even longer period of time.

It is obvious that the free world must continue to trade with the United States if it is to exist.

The Russian blandishments grow in force every day. Khrushchev has left no stone unturned to try to undermine our trade agreements with the free world and to extend Communist trade.

As this committee I am sure is aware, he has used the phrase that he has declared war on the United States, a trade war.

Furthermore, this trade situation, in our opinion, becomes even more important to us with the emergence of the Common Market in Europe.

It was my pleasure and privilege last year to be one of the three public advisers to the American delegation to the GATT conference.

I went on nomination of the labor movement. I was impressed at that conference primarily by two things.

First of all, I want to say that I was impressed with the care, the diligence, and the spirit of protection of American industry with which our regular delegates there operated. I think they did an excellent job, and I think they were trying in every way possible to promote the best interests of this country.

The second thing that impressed me at that conference was the very vital role which the Common Market will play in the future of the free world. You are familiar with the details, and I am not going to bore you with that. But I do want to stress the fact that the negotiations that must be carried on in the years just ahead of us with the Common Market are of the utmost importance to this country. We have, as far as we can estimate, about 500,000 workers in this country whose jobs depend directly on trade with the Common Market area.

Senator KERR. How many?

Mr. BIEMILLER. About 500,000, and, if the Common Market is extended into the wider free trade area that is being discussed in Europe, then the jobs of about 900,000 workers would be very directly involved.

It is, obviously, important that we do have good reciprocal relationships with those European countries. I want to emphasize that the American labor movement welcomes the formation of the Common Market, just as we welcomed the formation of the European Coal and Steel Community and the appearance of Euratom. We believe it strengthens the free world when we can get Europe more and more integrated.

We have been asking for this development for a long time. But we do realize that this raises a problem that has to be worked out very carefully between the representatives of our Government and the representatives of the Common Market when the new tariff schedules are finally put out by the Common Market countries.

Furthermore, we consider, as I have just been indicating, the extension of reciprocal trade of great importance to American workers, because a great many jobs of American workers depend upon foreign trade.

An estimate has been made by the Department of Commerce, which our economists think is a reasonable estimate, that it is probable that as high as 4½ million jobs in this country are affected, directly and indirectly, by foreign trade. That is, obviously, a very important part of our economy.

We are not unaware, however, that there are difficulties that arise from the reciprocal trade agreement, difficulties that we think should be adjusted. Certain industries do, from time to time, get affected adversely. We have long urged the strengthening of the peril-point and escape-clause features of the reciprocal trade agreement.

But we think we should go beyond that area. We recommend heartily to the Congress the concept that has become known as the Trade Adjustment Act. It has been introduced in this House by Senator Kennedy, and, I believe, as an amendment by Senators Humphrey, Douglas, and 1 or 2 other Senators.

Basically, what we are proposing is to give the President, when the escape-clause procedures are asked for, a third alternative.

At the present time, he may do 1 of 2 things. He may either reject any proposal and give no relief to the industry at all, or he may increase tariffs. These are the two alternatives he has when an industry invokes this procedure.

We propose a third alternative. We think it ought to be possible for the President to turn down the increase for a tariff, but say, on the other hand, "I am going to marshal the resources of the American Government in an effort to find ways and means of either making it possible for this industry or segment of an industry to compete, or, on the other hand, I am going to make it possible for them to find a new line of activity in which this capital and equipment and these workers can find gainful occupation."

Senator KERR. Do you feel that this legislation is necessary to make it possible for the President to be able to do that?

Mr. BIEMILLER. We think it is needed, at least in certain areas, Senator. For example, we think one part of this procedure should be an extension of unemployment compensation to workers where such a finding is made and where it may be necessary for an extended retraining program for those workers. We think it is also desirable that there probably be a program of relocation of some workers set up. In those areas, we think, it is probable that some new legislation is needed.

On the other hand, it is possible that the President does have enough authority in terms of the furnishing of technical advices and loans through the various Government loaning authorities which are in existence, to handle that phase of it.

And, if you will note, one of the amendments which Senator Humphrey and Senator Douglas, et al., have proposed simply proposes that the President try to utilize whatever means are now available, and then report to the Congress if he needs additional means.

We tihnk there are additional means needed. We would prefer the more far-reaching amendment.

But, at a minimum, we would like to see that minimum amendment adopted which has been introduced, because we think this is a field in which, certainly, we should be exploring our possibilities.

Senator KERR. I must say that I entirely agree with you. I just don't think he needs any new legislation to either enable him or remind him to want to do just that.

Mr. BIEMILLER. We think it might be advisable to at least remind him of this, and to, also, I say, in effect, with that particular type of amendment, to ask him to send additional proposals to us.

May I just further point out there something that may be known to the committee.

I am sure most of you have run across this. Acting upon the pattern of the European Coal and Steel Community, the Common Market countries of Europe do plan a rather extensive program in this direction, and I think this is one of these occasions where we may have something to learn from the experience of our European friends.

Furthermore, I want to just point out another thing that we suggest very strongly in our statement. We do think that the President ought to be instructed to, in turn, instruct our negotiators that they must insist upon international fair labor standards. I want to explain what I mean by that, so there is no possible misunderstanding.

What we want to be certain about is that the exporting countries do not permit workers in those industries to work below the wage scales of those countries. We recognize that there have been certain instances in which this situation has prevailed. Now, there have been times at the GATT meetings when this point has been made very forcibly by our American negotiators.

One of the most recent, for example, was in 1955, when the Japanese agreement was up for negotiation. And at that time the Japanese did agree to this proposal, and we think this is an important proposal that should be driven home.

Certainly, there is no reason why we should permit the use of dumping techniques based on substandard wages in foreign countries.

And we think that, where such a situation exists, a warning should be given to the offending country that, in those areas of agreement where they are palpably paying wages below their own levels, in those instances we have a right to expect that we will not negotiate further on those items.

Through the International Confederation of Free Trade Unions, in which the AFL-CIO plays a very important role, we are constantly pushing in all countries for an increase in the wage level of those countries and an increase in the standard of living.

We do this for obvious reasons, not only humanitarian. As the standard of living increases in foreign countries, so does the demand for certain kinds of American products grow.

I think probably one of the most lasting impressions I got from my brief visit to Europe last fall was that for the first time in Europe there is developing a consumer market in the sense that Americans understand it, that the average man in the street is at last becoming a purchaser of the kind of products that to Americans we take for granted in this day and age.

And as we can help improve wage standards in European countries, so will the whole standard of living increase, so will the whole consumer market increase.

And as that consumer market increases, we are confident that American industry will get its fair share of those markets, and we think this is one of the important things that should be stressed.

That, in brief, is our position. We would hope that there be no further amendments adopted. We are not happy about some of the amendments which the House adopted.

We are not happy about the original provision of the bill that permits the President to raise tariffs to a higher level than we think in some instances they should be raised.

But certainly at a minimum, we hope the Senate will adopt no further crippling amendments and that the Senate will give very careful consideration to this trade adjustment concept. We thank you, Mr. Chairman, for the opportunity of appearing.

The CHAIRMAN. Any questions?

Senator KERR. I have 1 or 2 rather brief questions. I want to say, Mr. Biemiller, that I accept your statement on the 500,000 employees. I think it is a valid statement or you wouldn't make it. I would appreciate your telling the committee how the figure was arrived at.

Mr. BIEMILLER. On that, if I may, Senator, I regret to say I expected to be accompanied today by our research director who is, unfortunately, ill. But I will ask the research director to furnish the committee with that data so that you will have it for your files.

Senator KERR. I will be very glad if you would.

Mr. BIEMILLER. He is, unfortunately, ill at home or he would have been here today.

Senator KERR. The figures of 4½ million has been used heretofore. I personally do not accept that as a valid estimate.

Mr. BIEMILLER. As I stated, Senator, all I can say is that our economists informed me they think it is a valid estimate.

Senator KERR. I am not prepared to say that it isn't. I just hadn't seen any evidence that it is. It reminds me just a little bit of what a narrowminded member of another denomination said about the claims of the growth of membership in the Baptist Church.

He said, "Yes, if you guys keep on getting as many more members every year as you claim you are going to, it won't be too long before there will be more Baptists than there are people."

I think if we just get enough estimates of the kind like the 4½ million as to the number of workers who are benefited by these various things, I think we will have more beneficiaries than we have workers.

Mr. BIEMILLER. I will be happy, as I said, Senator, to have our research people send you that information.

Senator KERR. All right. And if they would at the same time give us advice as to the number of jobs that have been eliminated or the number of employees that have been displaced by increasing imports.

Mr. BIEMILLER. I will be happy to furnish you with that information.

(The information requested is as follows:)

AMERICAN FEDERATION OF LABOR
AND CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D. C., July 3, 1958.

Hon. ROBERT S. KERR,
Senate Office Building,
Washington, D. C.

DEAR SENATOR KERR: When I appeared before the Senate Finance Committee to testify on the Reciprocal Trade Agreements Act of 1958 (S. 2907) on June 25, you asked me questions regarding the sources of a number of figures that I used to indicate the impact of foreign trade on employment. Our research department has furnished me with the following information regarding these figures:

1. I indicated in my statement that jobs of about 500,000 workers in the United States during the years 1955–56 depended on exports to six European Common Market countries. This figure is an estimate based on the proportion of total United States exports which went to the six European Common Market countries during that period. These countries received 16 percent of our exports. The total number of workers as estimated by the Labor Department whose jobs depended on exports in 1956 were approximately 3,100,000.[1]

If it is assumed that 16 percent of the 3,100,000 workers whose jobs depend on exports can be attributed to the exports to the ECM countries, then the number of such workers can be estimated at approximately 500,000.

2. You requested an explanation of the figure used of 4½ million workers whose jobs depend on foreign trade either directly or indirectly. I indicated in a footnote in my statement that this figure had been used by the United

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[1] See statement on Employment, Wage, and Foreign Trade, by the U. S. Bureau of Labor Statistics, published in compendium of papers on United States Foreign Trade Policy, published by the Subcommittee on Foreign Trade Policy of the House Committee on Ways and Means.

States Department of Commerce in one of the papers in the compendium of the House Subcommittee on Foreign Trade Policy to which I have already referred. However, the Department of Commerce figures are based on estimates given by the Department of Labor given in the same source on page 761. That figure in turn brings up to date a previous estimate developed by the Department of Labor for the Commission on Foreign Economic Policy which is shown in the staff papers presented to the Commission on Economic Policy in February 1954, beginning on page 373. These figures are based essentially on an analysis which the Bureau of Labor Statistics developed for estimating the proportion of the output of each major industry which goes to various other industries and also for exports. Full explanation of the estimate of the number of jobs depending on exports will be found on pages 374-375 of the staff papers of the Commission on Foreign Economic Policy.

3. You also requested any information we could provide on the number of jobs that may have been eliminated as the result of increased imports. As I indicated in my statement, it has been estimated that if all tariffs were to be temporarily suspended only 200,000 to 400,000 workers might be affected, of whom only one-third are in nonfarm employment. These are also estimates of the Department of Labor which were developed on the basis of estimates of the impact on foreign trade dollar volume which might result from tariff suspensions, worked out by Dr. Howard S. Piquet, formerly with the Tariff Commission and now a senior economist in the Legislative Reference Service of the Library of Congress. However, as I have indicated in my statement, the actual number of workers affected by imports is much smaller than these figures would indicate, because we have had no such drastic tariff liberalization as would occur with temporary suspension of all tariffs. The Labor Department has estimated in a paper prepared for the compendium of the House Subcommittee on Foreign Trade Policy (pp. 762, 763) that in industries where the Tariff Commission found injury or threat of injury, maximum displacement was only 28,000. There may, of course, have been some displacement of workers in other industries, but these are either industries which have not applied to the Tariff Commission for relief or where the Tariff Commission found so little effect of imports that it felt there was no justification for tariff relief. All of these figures clearly indicate that the number of workers who have been displaced by imports is in any case relatively small. However, as I emphasized in my statement, however small the number of workers affected may be, we feel very strongly that an effective trade adjustment program should be developed so as to meet their special problems.

I trust that this information will be of use to you in considering the need for enactment of the trade agreements extension bill.

Sincerely yours,

ANDREW J. BIEMILLER,
Director, Legislative Department.

The CHAIRMAN. Are there any further questions?

We appreciate very much your appearance, sir.

Mr. BIEMILLER. Thank you, sir.

The CHAIRMAN. The next witness is Mr. William A. Mitchell, the American Bankers Association.

STATEMENT OF WILLIAM A. MITCHELL, CHAIRMAN, ADVISORY COMMITTEE ON SPECIAL ACTIVITIES, AMERICAN BANKERS ASSOCIATION; ACCOMPANIED BY EUGENE ZORN, ECONOMIST, AMERICAN BANKERS ASSOCIATION

Mr. MITCHELL. I am William A. Mitchell, representing the American Bankers Association.

At my left is Mr. Eugene Zorn, the economist for the American Bankers Association.

I am the president of the Central Trust Co., Cincinnati, and am chairman of the advisory committee on special activities of the American Bankers Association.

The association welcomes this opportunity to express its views on H. R. 12591, the Trade Agreements Extension Act of 1958.

At its annual convention in 1953, the American Bankers Association adopted the following resolution:

A nation can sell abroad only as it buys abroad. We believe that the United States should live up to its international responsibilities as the world's greatest creditor and producing nation by continuing to open its markets increasingly to foreign goods. Such a policy will help to create a larger volume of world trade, the eventual restoration of freely convertible currencies, and stronger economies in the United States and other nations of the free world.

We endorse and approve the action of the 83d Congress in extending the Reciprocal Trade Agreements Act and enacting the Customs Simplification Act. We urge that all practicable steps be taken to demonstrate to the world our determination to lead in the cooperative effort to expand international trade for mutual benefits in prosperity and security.

Today, as the extension of the Reciprocal Trade Agreements Act is being considered once again, the association has reasserted its unequivocal support of the trade agreements program. Between our annual conventions which are held in the fall, the policy powers of the association are vested in the executive council.

On April 22 of this year, upon the unanimous recommendation of the advisory committee on special activities and the economic policy commission, the executive council adopted the following resolution which I am privileged to present to you at this time:

Over the past several months, the economic decline in this country has emphasized the pervasive interdependence of the economies of the free world. If long continued, the recession here would pose a serious threat to the economic stability of friendly nations abroad, because our foreign investment outlays and our imports and exports exert on important influence on the level of economic activity of these countries.

In turn, if economic conditions abroad were to become unfavorable, this would intensify our own distress by reducing demand for the products of our export industries.

Over the past 25 years much has been achieved in the way of developing a foreign economic policy that is truly in the national interest. Our efforts to reduce restrictive and discriminatory barriers to the expansion of world trade, our mutual-security program, our economic and technical assistance programs, and our encouragement of American private investment abroad, have strengthened our own Nation economically and politically and have enhanced the economic stability and military security of the nations of the free world.

Indeed, the present strength of the free world can be attributed in large part to our foreign economic policy since World War II.

In view of the mounting economic and military challenge of the Communist nations, it would be extremely unfortunate if we were to allow domestic economic difficulties of a transitory nature to turn our foreign economic policy back toward economic isolationism.

From the point of view of our own industrial recovery, it is important that American private investment abroad continue to expand, for such investment increases the dollar purchasing power of foreign nations, thereby raising demand for the products of American industries.

Broadening the market for American exports also requires that we continue to negotiate for the reduction of barriers to the international movement of goods and currencies.

It would be fallacious and dangerous for us to try to stimulate economic recovery in the United States by placing greater restrictions on the entry of products from abroad. Such restrictions would serve to increase the impact of the current recession on other nations of the free world and to depress further the demand for products of our own export industries.

By broadening the market for our own products and stimulating world trade in general, we can make an important contribution to the economic well-being both of the United States and of the entire free world.

In view of the foregoing considerations: Therefore, be it

Resolved, That the executive council of the American Bankers Association go on record as approving the 5-year extension of the reciprocal trade agreements program, and the related legislation necessary to its effective implementation.

Senator KERR. Thank you very much, Mr. Mitchell.

Are there any questions?

We thank you for bringing us your statement.

Mr. MITCHELL. I appreciate the opportunity of appearing, sir.

Senator KERR. Paul Hoffman, Pasadena, Calif.

We are glad to have you, Mr. Hoffman.

STATEMENT OF PAUL G. HOFFMAN, PASADENA, CALIF.

Mr. HOFFMAN. First of all, Mr. Chairman, I would like to thank the committee for this opportunity to appear here today in support of H. R. 12591, the Trade Agreements Extension Act of 1958, as passed by the House of Representatives.

I am appearing before the committee in my personal capacity. I am presently chairman of the board and treasurer of the Hoffman Specialty Manufacturing Co., of Indianapolis, Ind., and chairman of the American Committee on United Europe.

The decision which the Congress must take on H. R. 12591 is certain to have vital political as well as commercial results.

It may influence in a substantial way the outcome of the struggle between the free world and the Communist world. This has been called: "The struggle of the century for the century."

Those are dramatic words, but I happen to believe that they are words of great truth.

Senator KERR. If we had time, I would ask you to tell me what they meant, but, since we haven't, I will ponder it.

Mr. HOFFMAN. All right, sir. I have the deep conviction that the nations of the free world can win out in this struggle if they utilize fully their potential strength.

I also have the deep conviction that, if they are to realize on that potential, they must, among other measures, promote freer trade.

Lest there be any misunderstanding, let me say at once that I am in favor of freer trade—not free trade. Free trade is a theoretical ideal which I think cannot be realized in practice and which would, in any event, raise problems of such magnitude that it is questionable whether its advantages could ever outweigh its disadvantages.

Freer trade, on the other hand, involves quite a different concept. We all know of trade barriers which exist in every country in the free world which would better be relaxed or removed. These are the barriers which, for reasons of narrow national pressures, inhibit the expansion of world trade—world trade which brings common benefits to all nations engaged in such trade, and which represent one of the bases for the kind of economic expansion which we in the United States must have and which all the peoples of the world are seeking with great urgency. We know these barriers exist and we know they can be relaxed or removed without the kind of fundamental adjustment which might be the consequence of completely free trade.

The critical importance of freer trade for any nation was brought home to me during the period I had the privilege of being Administrator of the Economic Cooperation Administration or, as it was commonly known, the Marshall plan.

In the year 1948, despite the fact that world trade had almost doubled during the 50-year period, trade among the European nations was at a slightly lower level than at the turn of the century.

I would like to repeat that statement, if I can, because it made a very deep impression on me when I first went to Europe, that in the year of 1948, despite the fact that world trade had almost doubled during the 50-year period, trade among the European nations was, that is intra-European trade, was at a slightly lower level than at the turn of the century.

It might be that it was knowledge of this fact that led to the congressional directive to the Administration of ECA to take vigorous steps to restore trade among the European nations which were to receive Marshall plan assistance.

The language of that directive is interesting. This is the language:

> Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to the countries of Europe, it is declared to be the policy of the people of the United States to encourage these countries through a joint organization to exert sustained common efforts which will speedily achieve that economic cooperation in Europe which is essential for lasting peace and prosperity.

We in the ECA did take vigorous steps that the Congress proposed to restore intra-European trade, obtaining first agreement among the European nations for a sharp reduction in import restrictions and we later established the European Payments Union to facilitate the financing of this trade.

It might be a matter of some interest that that agreement to reduce import quotas was achieved at 3 a. m. one morning after about a 12-hour session, because, of course, you had many interests in Europe that were opposed to any reduction whatsoever in quotas or trade restrictions.

Between 1948 and 1952, the 4 years of the Marshall program, Western Europe's gross national product increased by 25 percent and intra-European trade by 73 percent.

Furthermore, it is estimated that the mutual aid generated by the Marshall program enabled us to reduce the cost of that program by a substantial amount, perhaps as much as $2 billion.

This demonstration in the benefits that flow from the liberation of trade was not lost upon the Europeans themselves. Indeed, many of them, particularly such forward-looking leaders as Jean Monnet, Paul-Henri Spaak, Robert Schuman, and Konrad Adenauer, were determined to go further.

Utilizing the momentum generated by the Marshall plan, they launched a bold new program not only for further reducing barriers to trade, but for integrating the western European economy.

The first major step in this program was the Schuman plan for pooling Europe's coal and steel resources. Proposed by France's Robert Schuman in 1950, the European Coal and Steel Community was established in 1952, with six participating nations: Belgium, France, West Germany, Italy, Luxembourg, and the Netherlands.

The results have exceeded even Mr. Monnet's optimistic expectations. Production in coal and steel has risen to record levels.

Trade in coal and steel within the community increased by 93 percent between 1952 and 1955 as compared with a 59 percent increase for other products. Nor have the beneficial effects of the Schuman plan been restricted to the six-nation area alone.

Imports of coal and steel into the community have risen during this period by 41 percent and exports by 34 percent.

Indeed, and this to me was interesting, the community has become our best overseas customer of American coal, buying 54 percent of our total coal exports in 1956, and even more in 1957, and yet there were many predictions made in the United States that if the community did come into being, it would restrict American imports to a point where we couldn't sell coal to Europe at all.

If that is not a striking demonstration of what an improved economy can do in providing more business for America, I do not know of one. Building upon the demonstrated success of the Schuman plan, the six nations have recently taken a decisive step toward full economic cooperation.

Senator KERR. A very important difference, if you will pardon me for interruption, you used in the text "full economic unification."

Your statement was "full economic cooperation." Which do you mean?

Mr. HOFFMAN. Integration.

Senator KERR. Neither?

Mr. HOFFMAN. Integration. Neither. Well, that is a matter of words.

Senator KERR. I am just asking you. The page has "unification," the spoken word was "cooperation."

Mr. HOFFMAN. I should have said integration.

Senator KERR. You actually meant integration?

Mr. HOFFMAN. So I was wrong on all counts.

On January 1 of this year, measures for creating both a European Atomic Energy Community for peaceful purposes and a European Economic Community came into effect.

Under the latter measure, the Common Market, the 6 nations have agreed to progressively eliminate, over the next 12 to 15 years, all tariffs and quotas on trade among themselves.

At the same time, a common external tariff will gradually replace national tariffs on imports from outside the community. The external tariff will, in general, be fixed at the average of the national tariffs which it replaces.

The Common Market, like the Schuman plan before it, represents an opportunity for substantially increasing trade between Europe and the rest of the world.

This is a very great fear of mine: It could also become an inward looking, protectionist device for promoting trade within Europe at the expense of world trade. The key as to which direction the Common Market will take lies largely in our hands. If we set the right example, those in authority in the Common Market will be encouraged to do likewise.

Furthermore, of equal importance, H. R. 12591 gives us the bargaining power we need: First, the authority requested, 5-percent reduction per year, used selectively, would enable our negotiators to bargain for reductions in the external common market tariff at approximately the same rate as the internal reductions will take place. This would minimize the discrimination against United States exports which will otherwise occur.

Second, a minimum renewal of 5 years is necessary in order to carry our bargaining authority through the first 4-year period of the Common Market, January 1, 1962. By that time, an overall reduction in internal tariffs of 30 percent will have been achieved and further, the first common external duties will likewise have been established.

Moreover, it is important that our bargaining authority be assured of 5 years of continuity and stability since, as the President points out, our proposals must be preceded by painstaking preparations.

The Common Market countries have already indicated their willingness to enter negotiations for reducing the external tariff in return for equivalent concessions on the part of third countries. It is now up to us to meet our European allies halfway.

In conclusion may I emphasize the central point which I have tried to suggest in this brief statement: That the European Economic Community is an historic development of major proportions, that it presents to us a challenge that is almost unprecedented in the field of our foreign trade policy.

In the rapidly moving world of today and in the face of the massive Soviet economic and political offensive, the European movement toward unification has thrust upon us a crucial decision: Do we by the policy the Congress will adopt this year take steps to bind ourselves more closely to our friends and allies in Europe and in the rest of the free world, or do we withdraw within ourselves in narrow, protective isolation?

The Common Market can greatly strengthen the free world if by building an expanding integrated economy in Western Europe, it can assure the rising standards of living for the peoples of that area that everyone in the world is seeking. But it will not strengthen the free world if the European community retires to itself in regional autarchy and neutralist self-sufficiency.

The direction it goes will depend very largely on what the United States Congress does with this trade bill. Our world leadership is involved here and upon that leadership depends our ultimate success or failure in our fateful contest with the Soviets and their system.

For more than 10 years it has been a primary objective of the Russian dictatorship to undermine our world leadership and to tear down our world prestige in every way they have found open to them. It is my frank opinion that this United States Congress could render the Russians no greater service than by failing to pass this bill in a fully adequate form.

A 5-year extension would be a tonic to the free world. It would be a direct and open declaration that the United States is prepared to cooperate with all free nations in the development of their resources and in the effort at common realization of the drive of all of us for higher standards of living. We need this declaration and the world needs it.

Now, if I can have one more minute, I would like to tell you of a decision which we made in ECA which in my opinion turned out to be of very substantial importance.

One of the very first questions we had to face was what to do about Western Germany.

Remember this is 1948, and the memories of the war are vivid. There was, of course, a great popular demand for revenge against Germany on the part of the European nations which had been invaded by Hitler's armies.

It would have been quite a natural thing for the representatives of these nations to insist that Western Germany be given no help.

I think it was a matter of great historic importance, and in fact never in my opinion has it been properly recognized, that the representatives of these countries, and this includes representatives from France, from Great Britain, from the Netherlands, from Norway, from Denmark, all of which had been brutally invaded by Hitler's armies, voted unanimously to include Western Germany in the Marshall plan.

Of course, we wanted that. Why? Because it was perfectly clear that 1 of the great areas of test between the 2 systems was Western Germany and Eastern Germany.

If Western Germany had been held down and there had not been recovery in Western Germany, if Eastern Germany had surpassed it, you would have had an example of what the Communist system might do that would have had telling effect all through Europe.

Instead with the help given by America, Western Germany staged a miraculous recovery, with what result? That every Eastern German can look across the line and see what a free economic system can do for a country.

All he needs to do is look around him to see what the Soviet system will do. So you have an example and a powerful force, and the primary reason for the seething unrest in the satellite countries, for the fact they have never accepted the Communist ideology.

And if you have read what Stalin wrote in 1945–46, you know that it was his hope that by 1955, the people in the satellite countries would have accepted the Communist ideology and Russian domination.

Instead, they look across the line and see people who are living not only freer lives, free lives, but making a better living.

And as long as that continues, we need have no fear of there being any voluntary acceptance of communism in the satellite countries.

The integration of the European countries is vital. Why? Because they are strictly up against this monolithic power of Russia with its 200 million people, and only through integration can Western Europe compete.

So this historic development is essential in this world struggle. But it is also essential that it not become, that this integration not become inward looking.

I know most of the heads of the nations, or the principal people involved in this Common Market, they all want this to be a device, a development for expanding world trade, and they look to us for leadership in the direction of freer trade.

If we give it, I think we can be certain that the Common Market will become one of the great forces in the world that in the balance might substantially influence the final result in this struggle.

Thank you very much, sir.

The CHAIRMAN. Thank you, Mr. Hoffman.

Are there any questions?

Senator WILLIAMS. I want to ask a question in connection with what you said.

Was this decision you are referring to the reversal of the so-called Morgenthau plan at that time?

Mr. HOFFMAN. Yes, in a way it was. However, the Morgenthau plan had passed out before the Marshall plan came in.

Senator WILLIAMS. That is true.

Mr. HOFFMAN. Yes.

Senator WILLIAMS. But this is a complete repudiation of the Marshall plan.

Mr. HOFFMAN. It is the complete repudiation of the concept of a pastoral Germany.

The CHAIRMAN. Senator Kerr.

Senator KERR. I have an observation on the question and answer.

Were we in the war or had the war been won and was it behind us when the so-called Morgenthau proposal was made?

Mr. HOFFMAN. I don't trust my memory on that.

It was just about the end of the war, but I couldn't give you the date. There were various proposals as to what might be done with defeated Germany.

Senator KERR. It was while he was Secretary of the Treasury?

Mr. HOFFMAN. Yes. The Morgenthau proposal was that Germany become a pastural state, and, of course, the position we took on the Marshall plan was that restoration of industry in Western Germany was essential to European recovery.

Senator KERR. I was interested in a statement you made in Paris in August of 1949, Mr. Hoffman, that automobiles were not the kind of exports that could be increased to the United States. Do you recall that?

Mr. HOFFMAN. Didn't I qualify that? In any way?

Senator KERR. Now you may have, but it was not in the news report that I saw.

Mr. HOFFMAN. If I made that statement, I am proved, as I have before, to have been a false prophet, because exports have increased, but they still represent a very small part of the total production.

Senator KERR. On page 5 you say in the second paragraph:

> The common-market countries have already indicated their willingness to enter negotiations for reducing the external tariff in return for equivalent concessions on the part of third countries.
>
> It is now up to us to meet our European allies halfway.

It is a fact, is it not, that any concessions we would work out and give to this European Economic Community, I believe they call it, would under the agreements we have in effect with all of the signatory nations, be available to all of them?

Mr. HOFFMAN. Correct.

Senator KERR. So that any concession we made wouldn't be limited to European Economic Community?

Mr. HOFFMAN. No, sir.

Senator KERR. There is no such thing as us working out a concession either with that community or with any nation?

Mr. HOFFMAN. That is right.

Senator KERR. That would be limited to the identity with whom the negotiation was made?

Mr. HOFFMAN. That is correct, sir.

Senator KERR. That is all.

The CHAIRMAN. Any further questions?

Senator WILLIAMS. In connection with your statement in regard to the possible importation of automobiles into this country, do you foresee the day when perhaps we would have to impose a tariff to protect our automobile industry?

Mr. HOFFMAN. I haven't really been associated actively in the automobile industry since 1948, so that goes a long ways back, but during the time I was associated with the industry actively, in a management capacity, our position was always one of not favoring any tariff whatever.

We would have the 10 percent eliminated. As far as I know, that is still the position of the industry.

The industry substantially has it in its power any time it wants to reduce imports by building the kind of a car that the Europeans are exporting to us today, which we don't build except for the Nash-Rambler.

Senator KERR. I understood that that was the position of the industry, but I was asking you for your opinion.

Mr. HOFFMAN. In my own opinion, if the automobile industry can't compete with the European automobile industry, it is a sad state of affairs.

Senator KERR. Then in your opinion, you can't foresee at any future date where we would ever be required to have a tariff?

Mr. HOFFMAN. I would be utterly ashamed of the automobile industry if it asked for tariffs.

Senator KERR. No further questions.

Senator CARLSON. I would just like to state this.

It must be a great satisfaction to you, Mr. Hoffman, to look back at the changes that have taken place in Europe since 1948 when you were first sent over there in charge of the Marshall plan and observed the conditions, not only the improved economic conditions of the countries but the living conditions and the breaking down of those barriers which you mentioned.

I happened to spend some time there in 1951, and in fact I left Frankfort, Germany, on the evening of November 10, and arrived in Paris on November 11, which was the anniversary of the Armistice Day and I could sense the feeling they were ready to start marching again and it must be a great satisfaction to have participated in that.

Mr. HOFFMAN. It is a great satisfaction. I would like to say here something that I said many times. It was the Europeans that saved Europe. I think it was of historic importance because, in 1947, if it had not been for our help which was crucial, nothing, in my opinion, could have prevented the domination of Western Europe by Moscow. With the domination of Western Europe, one point I would like to simply make, because of the fact that the Marchall plan has occasionally been referred to as a "giveaway" program, that on the highest military authority, our defense expenditures would have been $10 billion a year more than they have been in order to prepare adequate defense.

So the Marshall plan did not cost us $15 million. It saved us untold billions of dollars.

Thank you, sir.

Senator FLANDERS. I didn't intend, Paul, to let you off so easily.

Mr. HOFFMAN. I was just hoping, Senator Flanders.

Senator FLANDERS. Mr. Chairman, in the first place I want to join with Senator Carlson in saying this: that one of the mysteries to me is the continuous year after year description of the Marshall plan as having been a "giveaway" program.

I just don't understand the mentality of the people who do not see what the Marshall plan did and how it made all the difference between living in a Communist world and living in a world in which a large area of it is free and proving the benefits of freedom.

Whenever I hear a statement of that sort, I feel moved—well, in the first place, I wonder what the mental processes are back of that point of view. It is the greatest achievement of our century.

Senator MARTIN. Will the Senator yield there?

Senator FLANDERS. Yes.

Senator MARTIN. Mr. Chairman, isn't it largely because all of us are selfish? We would like to have these grants made to something in which we are individually interested rather than the overall picture. The overall picture is to solidify things and to create proper individual thinking. But we are all naturally created selfish, and we want it for something in which we are individually interested rather than the overall picture.

Senator FLANDERS. I wonder whether that doesn't get down to making a distinction between intelligent selfishness and stupid selfishness. Intelligent selfishness would support the Marshall plan.

Senator MARTIN. If the Senator would yield again, the distinguished Senator from Vermont comes from that part of the country where you are probably better educated than we are in the part where I live, and you can see those things much better, probably, than I do.

Senator FLANDERS. Well, I went through high school.

(Discussion off the record.)

Senator FLANDERS. Mr. Chairman, I would like to get down to business. May I inquire, Mr. Hoffman, whether you feel that an expanded world trade is desirable, in itself, without qualifications?

Mr. HOFFMAN. Yes, sir.

Senator FLANDERS. What are the things that make an expanded world trade desirable in itself?

Mr. HOFFMAN. I think everything that makes expanded trade in Los Angeles, Calif., desirable makes world trade desirable. In other words, I think that, as we specialize, certain people produce better goods at lower costs, and everybody benefits from it. I think, with world trade, we have already seen that there are benefits flowing from it to every country in which the expanded trade takes place.

Senator FLANDERS. Then you seem to pin the benefits of expanded world trade on the benefits of each area specializing on the things that it could do best?

Mr. HOFFMAN. I think that that is the principle under which you operate. In other words, it is one of the oldest principles in our economic life; that, with specialization, we do bring lower costs and it helps expand markets.

You can't just apply that in a blanket way. I have tried to make it perfectly clear that I think we have to move toward freer trade. It is the movement that is important, the moving toward it. I am not for a moment suggesting that we ought to suddenly impose free trade. That is something else again.

Senator FLANDERS. Now, you expressed that sentiment in your testimony here at the top of page 2:

Lest there be any misunderstanding, let me say at once that I am in favor of freer trade—not free trade. Free trade is a theoretical ideal which, I think, cannot be realized in practice and which would, in any event, raise problems of such magnitude that it is questionable whether its advantages could ever outweigh its disadvantages.

Freer trade, on the other hand, involves quite a different concept. We all know of trade barriers which exist in every country in the free world which would better be relaxed or removed.

That is your formal statement.

Mr. HOFFMAN. That is right.

Senator FLANDERS. Of what you have just said, informally.

Mr. HOFFMAN. Yes.

Senator FLANDERS. Do not these advantages, however, come back to their expression in the most intelligent and most precise exponents of free trade itself? I am not accusing those in support of the reciprocal-trade treaties of being freetraders. Yet, after all, the advantages we expect to gain are the advantages which are supposed to inhere in free trade.

In my own mind, simply because I remember back into the early twenties, I think of Professor Tausig, of Harvard, who made such a case for free trade that it convinced me of being the ideal and the ultimate thing, and the advantages which he set forth for the ultimate thing seem, to me, to be the advantages which, in a measured degree, not in the complete and ultimate degree, are the same advantages, in a measured degree, which you expect to attain by reciprocal trade.

Mr. HOFFMAN. Yes, sir. I think, theoretically, you can make a very good case for free trade, but we haven't had free trade and, as a consequence, we do have vested interests throughout the world.

And what we need is a period of adjustment so we can adjust to new conditions. Now, as the world shrinks, and it is shrinking very rapidly, I think the movement toward freer trade will be accelerated. But I don't think I am going to live to see the day when free trade, as such, would be desirable.

I think freer trade, a movement toward freer trade, ought to be an established policy.

So long as you have given me a chance to say this, I would like to speak, very specifically, to the need of this 5-year period as against any shorter period, because, in trying to expand exports from Europe in order to cut down the cost of the Marshall plan, we were constantly up against the accusation that our tariff policy was so unstable that no manufacturer with good sense would dare undertake an attempt to build a market here in America for his goods.

Stability in tariff policy, in my opinion, is as important as moving toward freer trade. They go together. I think to shorten the period would accomplish nothing. It wouldn't serve notice on the rest of the world that we propose to work together and stick together in this great struggle which, I think, is of all importance.

Senator FLANDERS. What the European people are asking for, as you describe, is not a stability of situation which might result, even though the expansion of the reciprocal-trade policy were terminated, but they are asking, are they not, for a continuing stability of direction and movement.

Mr. HOFFMAN. That is correct, sir.

Senator FLANDERS. They want a stability of direction and movement. That is, after all, a little bit different thing from a stability of present conditions.

Mr. HOFFMAN. I think they are very different things, sir.

Senator FLANDERS. It seems to me that a distinction should be made between those, because constantly, in mail, in conversations, and in testimony, the assumption is made that if at any time we cease to progress along the reciprocal trade treaty route, we then go back to the Smoot-Hawley tariff.

Mr. HOFFMAN. That is right.

Senator FLANDERS. That is said over and over again, and I think, in the minds of most of the citizens supporting the expansion of the reciprocal trade, the continuance of the reciprocal trade program, somebody, somehow or other, has instilled in their minds the idea that the alternative is to go back to the Smoot-Hawley tariff.

Mr. HOFFMAN. That is correct.

Senator FLANDERS. Now, you know that isn't so, and I know it isn't so.

Mr. HOFFMAN. Sure.

Senator FLANDERS. But that is the moving spirit behind much of the support of the reciprocal-trade treaties.

Mr. HOFFMAN. I think one fact that, perhaps, I didn't stress sufficiently is this: That, under the so-called Rome treaties, there is to be a reduction of 30 percent in the tariffs over the first 4-year period.

Now the reciprocal trade agreements give the right to a 5 percent reduction a year.

If we made full utilization of that, it would be 25 percent.

Now, if we are going to bargain with these people, I want to make this clear. I think it is important to have a good bargaining position.

If they feel our policy is in this direction, I think we can have a determining influence in their policies as regards external trade.

I think we can add our force to the force of the enlightened people within the movement, and out of that will come a steady movement downward of their external tariffs as we move downward, and to the benefit of everybody.

I can tell you that if this is a 2-year extension, it would put us at a very great disadvantage .

In other words, if I had the problem of bargaining with Europeans, and I bargained with them for years, I would want at least the assurance that there would be 5 years in which tariffs on selected products could be reduced 5 percent a year because I would say to them cold turkey, "Now listen, if you want to see any trade with the United States, you have got to reduce your tariffs as we reduce ours."

This is, as I say, a bargaining element that I don't think should be overlooked. I think one further thing, so long as you have given me a chance.

I shouldn't say this, but I don't think anyone can estimate the upsurge that is going to come to that European economy as a result of this integration and the potentialities of that market to the United States.

Our whole history proves that we do most of our business with people whose standards of living are high.

The standards of living in Europe, if the integration goes forward, can, in my opinion, jump as much as 25 or 30 percent in the next 5 or 6 years.

That is going to mean a tremendous opportunity for the export of United States goods into those countries and for our imports from them. Remember, you have got to match them one with the other.

Senator FLANDERS. Speaking of the European Common Market, I have said for many years that Europe could do more for itself than we could possibly do for it in establishing that Common Market.

Mr. HOFFMAN. That is right.

Senator FLANDERS. You were making the case that they would also be doing something for us in establishing the Common Market.

Mr. HOFFMAN. That is right.

Senator FLANDERS. I note on page 5, near the foot of the page, you say:

> But it will not strengthen the free world if the European Community retires itself in regional autarky and neutralist self-sufficiency.

There are two things involved in that statement. One is the question of immediate self-interest and the other is the long-range self-interest of the free world.

I have been somewhat disturbed in the representations that are made to us from year to year when this question comes up in this room, on the assumption that the strengthening of the free world is the great thing and that everything else in comparison is of minor importance.

The economic strength of this country is of primary importance in the opinion, I believe, of all of us, because unless we ourselves are strong, we cannot be helpful.

Mr. HOFFMAN. That is right.

Senator FLANDERS. I have at times expressed that thought in the extravagant terms of suggesting that our slogan be, "Aid, not trade."

Now, I am not putting that as a hundred-percent slogan, but it is one that I want to keep in my own mind.

I want to make sure that we are capable of giving aid.

Mr. HOFFMAN. That is right.

Senator FLANDERS. That we have an abundance of production, an abundance of resources.

There are times, particularly, with reference to supporting the possibilities of other nations in obtaining by their own efforts a higher range or standard of living in food, clothing, shelter, and education.

That is much more liable to take intelligent aid than it is to furnish grants or loans for bigger steel production.

Mr. HOFFMAN. Correct.

Senator FLANDERS. And I want to be able to give that aid.

I want this country to be strong enough so we can give that aid, give it freely and without distress.

So, on that basis, I sometimes throw out that slogan, "Air, not trade."

Mr. HOFFMAN. Of course, I quite agree that the most important of all goals is the strength of our own economy. If I felt for a moment that by trading with other nations and expanding that trade we would weaken our economy, I would say that was a strong argument against it.

But I think the contrary is true. I think, by expanding trade we strengthen our economy and do not weaken it. And so I would say that that would be my answer there.

I do think that we have an involvement in the world we can't avoid, but that is quite a separate subject.

Senator FLANDERS. I don't remember clearly, but I think that at the Bilderberet Conference 3 or 4 years ago, which you and I both attended, I raised the question as to whether we were going to let the European nations organize their Common Market or whether we were going to horn in on it.

I don't know whether you remember that.

Mr. HOFFMAN. Yes.

Senator FLANDERS. I got no satisfactory answer except I felt that I was being shushed down by the State Department.

Does your point of view as expressed here on pages 4 and 5 indicate that, in a paternal sort of way, we are going to lead, and guide, and direct, these Europeans into larger policies of world strength and improvement and a little bit away from the immediate local advantages to be gotten from the Common Market area?

I hate to see them too much cramped in obtaining these local advantages.

Mr. HOFFMAN. I don't know that I quite understand the question. I do happen to know quite well most of the people who are directly involved in the Common Market.

Senator FLANDERS. I know you do.

Mr. HOFFMAN. The great architect for the Schuman plan, and the Common Market was Jean Monnet, of France, and I would say that Schuman, Adenauer, and other people are all involved.

Fortunately from the standpoint of the free world, they are all individuals who believe in freer trade, in other words, who want to see an expansion of external trade between the Common Market and the rest of the world.

I think the only possibility of a change of policy would result from an act on our part that would be regarded by their opponents as protectionist and give their opponents a chance to attack them on the grounds that we have gone in that direction, and therefore, there is no reason why the people in the Common Market shouldn't go protectionist.

That is my concern.

Senator FLANDERS. Now just for a moment would you say that if we decided to extend the reciprocal trade policy for only 1 year or 2 year, or 3 years, that we have, therefore, gone protectionist?

Mr. HOFFMAN. I would say that any period short of 5 years would not accomplish what I hope can be accomplished, and that is give assurance of stability.

No one can say positively——

Senator FLANDERS. Stability of movement?

Mr. HOFFMAN. Stability of movement, but here is the point——

Senator FLANDERS. Stability of movement, not stability of place.

Mr. HOFFMAN. I want to relate the 4 years. Actually I think that it may take 5, but in this movement toward freer trade within the 6 countries my guess is that it is going to proceed quite rapidly.

There will be a 30-percent reduction within that period. That is going to give a great advantage to the manufacturers within that area.

I want to see that matched by corresponding reductions in external tariffs.

I think you need the 5 years as an evidence that for that period we will have a continued direction to one policy, to overlap the 4 years in which this is going to take place.

That is just my own opinion, Senator. It is not an opinion lightly given.

In other words, I would think that a 3-year extension would be far less effective in accomplishing what I believe should be our goals than a 5-year extension.

Senator FLANDERS. Now we will get back into the mainstream again. The plan proposes a 5 percent reduction per year. Now that is 5 percent on the present basis, not 5 percent of what remains.

That is arithmetical, not geometrical.

Mr. HOFFMAN. That is arithmetical, yes.

Senator FLANDERS. Now getting back again to the main question, I think you know that I told Secretary Dulles, that without new light on the subject, I am prepared to speak and vote for a 3-year extension with the appointment of a commission which shall be more competent, more thorough-going, and reporting on questions which have been sidestepped or overlooked.

I may say, as I said before here the other day, that I had on my desk in my office across the hall here, a pile of reports on reciprocal trade which measured 11⅞ inches high, and none of them adequately discussed the questions which are in my mind.

I think you have had a copy of my questions; haven't you?

Mr. HOFFMAN. Yes.

Senator FLANDERS. Which I addressed to Secretary Weeks. It seems to me that the whole approach to reciprocal trade treaties has been on an emotional basis, that we had a religious revival service downtown here a few weeks ago in support of it.

Some who are the strongest proponents of it get indignant if I ask them questions.

I think I want it extended not merely to 3 years, but more or less indefinitely, but I only think that. I certainly am not certain of it, not by any means certain.

And for my own benefit, I want this Commission appointed to investigate questions such as those I raise.

Now, perhaps it is too much to ask that the whole United States Government be overturned for my own personal benefit, but that is what I am asking, and I hope that we will decide on a 3-year extension and a more competent investigation of the subject than has yet been made.

If you would like to address yourself to my intransigent position, I will be glad to listen to you, because the witness has his rights as well as the Senator.

Mr. HOFFMAN. I can merely express my hope that you will change your mind and make it five.

Senator FLANDERS. It can be done, the investigation can be done in 3, that is in time for new legislation at the end of 3 years.

Mr. HOFFMAN. Perhaps I am overinfluenced by my knowledge of the European situation. I think as things have turned out that General de Gaulle, coming into power in France, may turn out to be a very, very good thing.

He has been strongly nationalist. I think, however, he has indicated he will respect the present treaties. I think any evidence we can give that we want to continue in the direction we have gone would be extremely useful at this time.

Senator FLANDERS. Mr. Chairman, I have no further questions.

The CHAIRMAN. Thank you very much.

Mr. HOFFMAN. Thank you very much.

The CHAIRMAN. Miss Marjorie Thompson is the next witness.

STATEMENT OF MARJORIE THOMPSON, UNITED STATES SECTION, WOMEN'S INTERNATIONAL LEAGUE FOR PEACE AND FREEDOM

Miss THOMPSON. Mr. Chairman, and members of the Senate Finance Committee, I am very grateful for this opportunity to come here.

My name is Marjorie Thompson, 519 Old Buck Lane, Haverford, Pa., and I am speaking in behalf of the United States section of the Women's International League for Peace and Freedom. Our aim has been, since the league was founded in 1915 under the leadership of Jane Addams, to bring together women all over the world who believe in true justice and freedom, and are determined in their efforts to try, as far as in them lies, to abolish the political, social, psychological, and economic causes of war. It is because of our concern with the economic causes that we have wished to testify today. We believe that an enlightened economic foreign policy must be the base on which our political foreign policy rests.

New factors in the world situation make an extended Reciprocal Trade Agreements Act more necessary for the United States than ever before. I shall want to speak later of what it means to those others who are struggling to preserve their freedom and enjoy democratic forms of government.

The establishment of the European Common Market made up of six European nations, and the proposed organization of the much broader free-trade area, including Great Britain, mean, quite literally, that this country can no longer afford any kind of isolationist policy or any attempt to withdraw within its own boundaries.

The Marshall plan did much toward the economic integration of the countries where it was in effect.

The Schuman plan—the Coal and Steel Community—was another successful step in that direction.

There is also the possibility of some sort of free-trade area being set up by the South American countries. We should welcome further integration and strengthen it in every way we can because it will raise living standards, help to remove tensions that lead to war between nations, and strengthen the free world.

However, we also have to face the problems that the Common Market poses for this country. Trade is a two-way street. The goods we ship must be paid for by the goods we buy; therefore, exports roughly should equal imports, for an imbalance creates an unhealthy economy, not only for ourselves but for the whole world. In 1957 we exported $19½ billion worth of goods and imported $13 billion worth.

The "dollar gap" of $6½ billion was the largest it had been in 10 years. The countries that bought from us only could do so because they earned dollars by selling to us. Unless we have some means, such as the Trade Agreements Act, by which to negotiate bilateral tariffs, we are in danger of losing our foreign markets.

I quote from a representative of labor:

> United States exporting industries will be faced with the problem of having to clear tariff barriers while their European competitors can export to other European countries in the Common Market without any tariff duties being imposed against them.
>
> Clearly the United States exporters will be operating under a severe competitive disadvantage (from statement of Andrew J. Biemiller and Stanley H. Ruttenberg, AFL-CIO, before House Ways and Means Committee, February 21, 1958).

This disadvantage will affect both the manufacturers and labor, as well as our agrarian interests. Those who have things to sell will find fewer markets in which to sell them. As for labor itself, we have something like 4½ million workers, according to the Department of Commerce, who depend on foreign trade for their employment, either directly or indirectly.

Particularly during a recession and in a time of rising unemployment, we should, in view of this, try to strengthen our foreign trade rather than adopt a course that might weaken it.

In my own State of Pennsylvania, according to the study recently made by the United States Department of Commerce, one quarter of all persons employed in the State draw their wages from eight industries engaged directly in foreign trade.

In addition there are the agricultural workers who have a direct stake in the export of farm products which in 1956–57 amounted to $45½ million.

There are also the miners, who greatly benefited by exports, and some 2 million other workers who derive a portion of their income from foreign trade.

The conclusion that the study reaches is that—

> the net effect of imports on the State of Pennsylvania is overwhelmingly favorable.

Without imports there can be no solid basis for selling abroad. Undoubtedly, in some cases of highly protective industries, tariff adjustments might cause a period of difficulty while we adapted our economy in the light of new imports, for we cannot step up our selling unless we step up our buying.

The hardship would probably not be greater than that which normally accompanies technological changes. We feel that Congress should consider means for assisting affected industries and workers to adjust to new economic patterns.

As one of the manufacturers said before the House Ways and Means Committee:

> * * * If both United States exports and foreign investments are to be sustained and expanded, there must be more, not less, opportunity for foreign countries to sell whatever they have to offer to the United States markets (from statement of William Blackie, Caterpillar Tractor Co., February 21, 1958).

There is your two-way street, a way of peace.

It is vitally important that we continue our membership in the General Agreement on Tariffs and Trade, known as GATT, which comprises 37 member countries, and join the Organization for Trade Cooperation—OTC—which will be its administrative structure.

It will be remembered that the United States initiated both organizations. At the present time our contribution to GATT comes from the State Department's contingency fund and is not a congressional appropriation, and our participation is based on the power to negotiate, delegated to the President by Congress.

This is one of the cogent reasons why the Reciprocal Trade Act should be passed certainly for a 5-year period in order to give long-term stability to our policies. It is important that we not only lower tariffs on approximately the scale that they are being lowered over the 5-year period in the Common Market, but that we take a part in discussions and by our cooperation prevent external tariff walls being raised against us.

If we were no longer a member of GATT, we ourselves would be at a great disadvantage, and furthermore would be in the position of having repudiated the principles of freer world trade and nondiscrimination. Our trade is such a large proportion of the total trade that our withdrawal might be the cause of the dissolution of the organization, with resulting disastrous effects on the free world economy.

My arguments thus far have been for the most part, based on the enlightened self-interest of the country as a whole, but I think we must also remember how often, when we were giving large sums to war-torn or undeveloped nations the cry was raised: "Trade, not aid." The Women's International League for Peace and Freedom believes in both trade and aid in the form of economic and technical assistance.

With a liberalized trade policy, we can accomplish a twofold purpose, and incidentally equalize competition for ourselves in our own international trade and we can foster trade and in the long run strengthen these countries internally and raise their standard of living by making it clear, in our own negotiations, that no tariff concessions will be granted on products made by workers where wage practices and wages are below the standards of the exporting country.

I myself saw how this can work when I was in China many, many years ago when the Silk Commission was there renegotiating contracts.

The wages and the working conditions in some of the factories were appalling and no new contracts were made with those factories until conditions were corrected. The International Labor Office of the United Nations is constantly working along these lines, but we as a great trading nation can do much to help sound productive economies.

The less-developed countries, as well as some more advanced ones, are being wooed with many attractive deals by the Russian bloc, and unless our own economic policy is intelligent and farseeing, we may become economically isolated.

Walls must not be raised on either side, if the tensions that cause wars are to lessen or disappear.

"If goods do not cross borders, armies will." We must recognize the great stake this country has in world affairs and its vital interest in promoting economic stability, economic and social progress, and genuine peace.

It was Talleyrand who said, perhaps cynically:

There are no friendships between nations, only communities of interests.

The basis of this community of interest is trade. The growth of trade between countries, and between the trading areas that are gradually forming in different regions, will draw the world closer together.

When nations are able to procure the goods and materials they need, freely and on fair terms, many of the tensions and causes of war will have been removed.

For that reason, the women of the organization that I represent urge the extension of the Trade Agreements Act for a period of 5 years without weakening amendments.

The CHAIRMAN. Thank you very much, Miss Thompson.

Are there any questions?

Senator KERR. I have one question, Mr. Chairman. First, I must congratulate Miss Thompson on a very clear and cogent statement.

There is one sentence in it that I would like her to observe on further.

It is in the second paragraph on page 2 in the fifth line:

At the present time, our contribution to GATT comes from the State Department's contingency fund and is not a congressional appropriation.

Would you advise the committee where the State Department gets the money?

Miss THOMPSON. That, I am afraid, I can't tell you. All I know is from the material that I was able to find and read, was that the State Department did have this fund and that it was voted by them that it was not a regularized congressional appropriation which was made.

Senator KERR. If it didn't come to them by congressional appropriation, don't you think Congress ought to make a little investigation and find out where it got it?

Miss. THOMPSON. Well, perhaps. It does seem that it was not put on the soundest and most continuing basis.

Senator MARTIN. Mr. Chairman, I want to congratulate the distinguished witness and I am very proud that she is a fellow Pennsylvanian.

I would like, however, to call to your attention that it is not revealing my position on the matter now confronting us, but I have a list in my office of 107 different types of industry in the Commonwealth of Pennsylvania which are very badly injured by importations, and that is one of the reasons for unemployment in Pennsylvania.

I am just calling your attention to this because I wish you would make a study of it.

I am glad you are interested enough to come down here. What we need in America is every American to study these various problems, and they are serious problems.

When a man is unemployed because of the importations, of course he is terribly opposed to extension of the reciprocal trade agreement.

Now, you mentioned the matter of mining. The importation of residual oil has taken the jobs of 50,000 Pennsylvania miners.

Now, that is an important thing to them. While we ought to all think of peace, and no one is a greater advocate of everything that will maintain peace in the world than myself, because I have had a long military experience, as you know, and I know the terribleness of war.

Yet to the individual a job is the most serious consideration to him. So I wish your great organization—because I have all those things coming to me—I have delegations that want to talk to me because they say, "We are unemployed because of the importations." I am not indicating that I am not for the extension to reciprocal trade, because my first introduction to reciprocal trade was when, as a mere boy, I heard President McKinley discussing it, and I have been interested ever since.

But I do wish your great organization would give some thought so that a number of things could be worked out that would be helpful to those folks that are not employed.

Miss THOMPSON. I think we realize perfectly that the answer is not simple. As I said, there would be need for readjustment, perhaps for Government aid in getting industries on a different basis, and it is a kind of technological dislocation that is happening.

Senator MARTIN. On the other hand, also, I wish your great organization would take into consideration that any time that Government gives aid to any segment of industry, that industry loses just that much independence.

They are all big problems and you have got a great organization and you folks have the financial ability and the intellectual ability to study those things and to make a great contribution to the American Congress.

Miss THOMPSON. I should be very grateful if you would send me any material that you have in your office that we could work on.

Senator MARTIN. I will be glad to do it.

Miss THOMPSON. Thank you so much.

Senator ANDERSON. May I just say to Miss Thompson that you have made a very fine statement.

I do believe it would be well for your organization to follow the point that Senator Kerr has made. I don't believe the State Department gets much money except as a result of appropriation.

We have some laws that restrict gifts. There aren't too many who can receive gifts.

When we set up the Space Agency, they had quite a time determining whether or not it could receive gifts.

I do hope you don't believe the State Department received this money as manna from heaven.

Miss THOMPSON. Oh, no.

Senator ANDERSON. They got it as a result of congressional appropriation.

Miss THOMPSON. But my point was that it was from the State Department and not by a direct congressional appropriation. That was simply the point I want to make.

Senator ANDERSON. Are you trying to tell me, for example, in the case of agricultural programs that those aren't the result of congressional appropriations because funds passed through the Agriculture Department?

The mere fact that the Congress doesn't itself appropriate funds directly to GATT—is that your point?

Miss THOMPSON. That is what seemed to me as I studied the thing, that it was not, as I say, voted by Congress that we have membership in GATT, and, therefore, an appropriation was made.

But it came through the State Department.

Senator ANDERSON. How would you get membership in GATT?

Miss THOMPSON. Just as the other foreign countries are members of it.

Senator ANDERSON. What country is a member of the General Agreement for Tariffs and Trade?

Miss THOMPSON. Aren't there some 37 European countries that are?

Senator ANDERSON. Who have joined the agreement, and we have joined just as they have joined. There is no difference in the status of the members of GATT, is there?

Miss THOMPSON. As I got material, I got some State Department material and various other statements from people who have been studying it, it seemed to me that our membership in GATT was rather a tenuous thing, because of having the money for it coming through the State Department rather than by direct congressional appropriation.

Now, I may be wrong about that.

Senator ANDERSON. I am not trying to be harsh.

Miss THOMPSON. You know more about it than I do.

Senator ANDERSON. I am not trying to be harsh on the witness, but you speak of our membership in GATT.

What do you conceive GATT to be?

Miss THOMPSON. I conceive it to be this organization of nations who have bound themselves to lower by orderly means their tariffs and who are trying to promote freer trade.

Senator ANDERSON. What do the letters mean, General Agreement on Tariffs and Trade?

Miss THOMPSON. Yes.

Senator ANDERSON. Agreement doesn't mean it is an organization, does it?

Miss THOMPSON. Again I may be wrong, but certainly my impression was that GATT was both an agreement and an organization of these European countries.

Senator ANDERSON. I was merely trying to query you because I doubt if you will find that that was what it is.

Miss THOMPSON. Yes. Well, as I say, this is the best of my knowledge from the material I received.

Senator ANDERSON. We may sign a Fisheries Act with Japan.

That doesn't mean that Japan and our Government set ourselves up in a union to control fishing.

Miss THOMPSON. But if there were 37 other countries signing fishery agreements, what about that?

Senator ANDERSON. It still wouldn't become an organization. That is why you recommended, or I thought that was why you referred to OTC.

Miss THOMPSON. Which is the administrative part of it.

Senator ANDERSON. Yes. We have not joined the organization. We have only signed the agreement.

Miss THOMPSON. I am interested. I am sorry if I have misunderstood.

Senator ANDERSON. No, no; I don't say that you have.

Miss THOMPSON. But to the best of my knowledge and from the material I had, that was the impression that I had.

Senator ANDERSON. I rather gathered that you got this impression from the State Department.

Miss THOMPSON. Yes.

Senator ANDERSON. I wish you would let me know what it is, because the State Department ought not to be sending out that kind of material.

Miss THOMPSON. I got it from the State Department. I got it from various pamphlets that have been gotten out by organizations that are interested in trade.

The CHAIRMAN. Thank you, Miss Thompson.

The next witness is Irving J. Fain, government liaison committee.

STATEMENT OF IRVING JAY FAIN, NEW ENGLAND EXPORT CLUB

Mr. FAIN. Thank you, Mr. Senator.

My name is Irving Jay Fain. To clear the record as noted on the morning's proceedings, I am a past president of the New England Export Club and currently chairman of its government liaison committee.

The New England Export Club has been an active organization for the past 15 years, and includes among its 300 members the leading exporters of the New England States, together with their associates in banking, insurance, shipping, and so forth.

I am a lifelong resident of Providence, R. I.; and have been engaged in business for the past 31 years, with slight interruptions, as a member of several family-owned manufacturing firms: The Apex Tire & Rubber Co., the Thompson Chemical Co., the Tower Iron Works.

On many occasions, the New England Export Club has gone on record in support of legislative and administrative action toward more liberal international trade.

The New England Export Club has supported the trade agreements program in past years, and this year has passed a resolution which was voted by the membership on a mail poll, with a vote of 98 in favor and 3 opposed. Here is the resolution:

RESOLUTION ON H. R. 10368—TRADE AGREEMENTS ACT, MARCH 12, 1958

The New England Export Club has frequently affirmed its strong support of liberal trade programs in general, and the reciprocal trade agreements program in particular.

We advocate renewal of the reciprocal trade agreements program, for the following reasons:

1. The increasing flow of international trade benefits the economies of all the trading partners, incuding our own economy. The reciprocal lowering of trade barriers permits our country to import more of what it can buy more cheaply elsewhere; and provides larger markets for the export of what we produce with relatively greater efficiency. The general economic welfare of the Nation must transcend the apparent immediate interests of particular industries and areas.

2. The new European Common Market presents our export industries with an unusual danger affecting our exports to Western Europe, which can be met by the United States through long-range negotiation under the reciprocal trade agreements program.

3. The continuing economic development of other nations with whom we trade depends to a great extent on their ability to increase their trade with us.

4. The Soviet-China bloc has declared economic warfare on the United States. Sputnik has shown that this economic threat cannot be taken lightly. The third countries of the world are being enticed into the trading systems of the Soviet-China bloc. For political as well as for economic reasons, we must make it easier for third countries to expand their trade with us, rather than with the Soviet-China bloc.

We recommend the following provisions:

1. That the extension be for a long period of time, preferably for 11 years, and, in any event, for an odd number of years.

2. That the President be given authority to negotiate reciprocal reductions of existing tariffs.

3. That quota restrictions on imports be avoided except in unusual and critical situations.

4. That invoking of the escape clause place the burden of proof on the applying industry, stress the overall economic effect, and give to the President final decision; and that increases permitted under the escape clause be at a lower maximum than 50 percent above 1934 rates.

5. That the act be free of crippling amendments.

Throughout the world, the reciprocal trade agreements program is considered the keystone of our foreign economic policy, and the criterion by which we are judged.

As exporters, we, the members of the New England Export Club, must be aware of the simple economic facts of life; that America's exports are paid for by America's imports; that our customers can buy goods only to the extent that they can sell goods.

Like death and taxes, the balance of payments is inevitable. On the positive side, this means to America that, the more we buy from others, the more thay can buy from us. On the negative side, it also means that the more we restrict our purchases from others, the more they will be forced to restrict their purchases from us.

As citizens, we look beyond the balance of payments, and its immediate effect on our businesses. In our daily work and overseas travels, we meet the economic challenge of the Soviet-Sino bloc. We have seen the goods and the salesmen from the other side of the curtains.

The West is accustomed to think that "trade follows the flag." With the Soviet-Sino bloc, "trade is followed by the flag."

This new economic competition is double barreled. It is directly a challenge to our traditional trading relationships. It is indirectly and more importantly a challenge to our political relationships. The threat is a serious one, and the challenge cannot be ignored.

In the pavilion of the U. S. S. R. at the Brussels exposition is a large piece of sculpture entitled "Beating Swords Into Plowshares." The Soviet signmaker neglected to give proper credit to the Bible. Let us give proper credit to the Bible for our inspiration for the following parable which brings out in simple terms the workings of international economic competition.

Here may I interpolate for the benefit of the distinguished Senator from Vermont that this is not a religious revival service.

In the land were many households. Some were richer and others poorer; some were larger and others smaller; some were older and others younger. In earlier days, each household worked in simple ways. One family was the butcher; another was the baker; and still another was the candlestick maker.

Senator KERR. What chapter and verse are you reading from?

Mr. FAIN. I shall be glad to look up my concordance, sir, and tell you.

Senator ANDERSON. I will tell you right now, that is why he raised the question. The best Bible quoter I know is the Senator from Oklahoma.

Senator KERR. I listened with avid interest awaiting the designation of the source, if you are quoting from the Bible.

Mr. FAIN. I am using Biblical expressions and references particularly from the books of Genesis, which will appear as I read the rest of the paper.

Senator KERR. The part you have already read—let me have a Bible. I would like to be able to follow you.

Mr. FAIN. Senator, you will also observe in this little parable——

Senator KERR. It sounds like a parody to me, not a parable.

Mr. FAIN. No, sir; is it not intended to be a parody; not at all.

Senator KERR. If it is not something which you, yourself, have formulated, and I have no objection to that——

Mr. FAIN. I have, absolutely, every word.

Senator KERR. I don't want to sit here and criticize myself for a woeful inadequacy of knowledge of a book that I thought I was very familiar with.

But as I listen to the language and don't recognize it, I am constrained to believe either that my memory is failing me, or that your reference is inaccurate.

Mr. FAIN. The Senator will observe that while most of the verbiage and references are Biblical in inspiration, it has been necessary to use some modern phraseology.

Senator KERR. I want to get better acquainted with you, if I have finally met a man who can improve that language.

Mr. FAIN. Not improve, but put it in a modern setting, sir.

Senator KERR. You want to put it in language you think the committee will understand? I, for one, want to tell you that I appreciate that, but I still would like to have you identify that part of it if and when you come to it that is from the Bible.

Mr. FAIN. Yes, sir; I shall do that, sir.

Each did grow or dig or make according to his resources; and each exchanged with his neighbors the labor of his hands. Among the many households, one was large and old and wealthy and revered—the household of Sam.

Obviously, a manufactured name. And the voice of Sam was heard throughout the land—with all due respect to the Song of Songs, Senator.

And the voice of Sam was heard throughout the land.

Senator KERR. The voice of whom?

Mr. FAIN. The voice of Sam was heard throughout the land, the Song of Songs.

Senator KERR. Which Sam was that?

Mr. FAIN. I am creating a mythical House of Sam.

Senator ANDERSON. Sam or Sand?

Mr. FAIN. Sam.

Senator KERR. My name is Sam and there is a Samuel in the Bible and I just want to be sure it was neither of us to which you are referring.

Mr. FAIN. Absolutely right. I deliberately changed it from Samuel so it wouldn't be confused with Samuel of the Bible, but I knew the members of the committee would understand that I am referring to Uncle Sam.

Senato KERR. I want to tell you right now, the indulgence which you presumed as to our enlightened discernment is not entirely justified.

Had you not told me in plain simple words, I would have gone through this day and maybe the rest of my life with the sad disappointment that I had not measured up to your opinion of me and that I had failed in a very material way, and that is to adequately understand your words.

And I must say to you in entire frankness, that my ability to understand what you say is not disassociated from what I may get out of your testimony.

Mr. FAIN. I am sure, if you will bear with me for 5 minutes, the meaning of the parable will be clear.

And the many sons of Sam did make many things for themselves and for their neighbors. Then there arose in the land a plague. Some called it pride; others called it economic nationalism.

That is one expression we cannot find in the Bible.

For many of the households were poor. They could not buy from the wealthy household of Sam the many things they did want, for the things that they did grow and dig and make they could not sell to the wealthy house of Sam.

And many of the sons of the poorer households grew restive and said to their elders, "Others make many things which we make not, and anything that they can make we can make better."

So, many of the households in the land began changing their ways. And they began to make many things, though it be each with his same small household. And they put up stumbling blocks against one another.

And there was chaos throughout the land. And the living of the people grew poorer.

And in the households there arose false prophets who shouted to the people, "Let us not wait upon our wealthy neighbors. Let us be a law unto ourselves, and let us each make all manner of things." The voice of the good Uncle Sam was heard throughout the land.

Let ye not, each of ye, be all things to all men, but let each man be true unto himself; let each dig and grow and make those things which he doeth best, and let each trade the work of his hands with his neighbors.

But the voices in the household of Sam were many, for the wealthy house of Sam gave much freedom to its many sons. And some of the sons, yea, even of the wealthy Sam, arose in the land and said, "Anything our neighbors can make, we, too, can make better." One son did make cheese, and did not leap with joy when neighbors who also made cheese did deliver cheese to the house of Sam.

Other sons made bicycles and watches and clothespins and textiles; others drilled for oil, and others dug for copper and lead and zinc. And each was proud and jealous of what he did in the household of Sam.

So the house of Sam was a house divided. From day unto day did the neighbors find stumbling blocks in the way of their dealings with the house of Sam. Still the head of the house of Sam did preach to his good neighbors: "Come now, let us not bicker, rather, let us barter." But the good neighbors did fear that, though the voice was the voice of Sam, the hands were the hands of the jealous among his sons. [Genesis.]

And some of the neighboring households did look to other neighbors with whom to deal.

In another part of the land lived another large household, the house of Krus. This house was not so wealthy as the house of Sam. But they were envious of the house of Sam, and said many times, "Yet will we become as wealthy; nay, even wealthier than the house of Sam."

And they bore no love in their hearts for the household of Sam. They poured evil tales concerning Sam into the ears of the neighbors. They did sow seeds of discord among the friends of the house of Sam, setting off brother against brother in hatred and in mortal combat.

Behold, they came even unto the neighbors to barter goods with them, and the neighbors did not believe them. And the children of the household of Sam scoffed, and said to the neighbors, "Feast your eyes upon the wealth of the house of Sam, and now look ye upon the house of Krus. Wish ye to cast in your lot among them than among us?"

But many of the neighbors were hungry, and would look anywhere for neighbors who would take their goods and give them in turn things to bring them sustenance.

And the children of Krus sent up into the heavens strange and wondrous things. And lo, even while the children of the household of Sam were scoffing, children of the household of Krus were trading.

"And how," asked children of the household of Sam, "can the weak house of Krus be a rival to the great house of Sam?" The head of the house of Krus ruled his many children with a heavy hand. He commanded unto them: "The more our neighbors deal with us, the more they depend upon us.

"Let them look to us more and more and more, to take the things which they make, and to give them the things which they need; then shall they become unto us as vassals.

"Now, go ye, children of the house of Krus, and trade with these our neighbors. Wait not until ye have surpluses above thy needs; nor wait until ye have scarcities to be satisfied. Take now from your neighbors what they wish to give, so that we make less of these things ourselves; and let us instead make more of those things which they want from us. By this shall we wax prosperous, and shall they be beholden unto us."

And there were children of the household of Sam who did see this, and they said, "Verily, this is one game where, what they can do, we can do better. Let us now open our gates wide, so that the goods of our neighbors may come unto us, and our goods may go unto them."

But in the house of Sam were many voices, and not all saw the light. Some said, "Nay, let them keep their goods; let us keep our goods; let each trade within his own household."

There had come down from the mountain a new law. [Exodus.] The heads of the house of Sam had said to their children, "With this law shall ye trade more with your neighbors. This is not the millennium, nor does it relieve ye of your other obligations.

"But it shall be as a beacon light into your neighbors—yea, those to the north and those to the south; those to the east and those to the west [Genesis]—even those beyond the high hills and the deep waters."

And the peoples of the land had harkened to the promise of this law. In the wilderness of stumbling blocks, it became unto them as a pillar of cloud by day and a pillar of fire by night, which would lead them into the promised land of freedom.

And their hopes ran high. They did look toward the household of Sam and as with one voice did say, "Whether ye pass, and how ye pass, by this law shall we know ye."

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

Are there any questions?

Senator KERR. I would just like for the witness, with reference to those passages that he indicated came from Genesis, and Exodus, to further enlighten me and to remove the cloud of doubt and confusion which imparts around me, that he also give me the chapters and verse.

Mr. FAIN. It will be a great pleasure, but I am unable to do it at this moment.

Senator KERR. I think you would be unable to do it at any moment, but in the event that you do succeed, you will share it with me?

Mr. FAIN. Yes, sir. I would like the honorable Senator to know that, before bringing this script down with me, I took the precaution that I wouldn't be accused of being facetious by showing it to people of all the three great religious faiths, and they all agreed that it was neither facetious nor sacrilegious, but that the parable did help to make a point more effectively than direct language.

Senator KERR. I have no fault to find with the parable. I do not regard it as facetious.

Mr. FAIN. Thank you.

Senator KERR. Nor sacrilegious. I am constrained to say, also, that I don't even regard it as authentic. You could help me a lot if you gave me the chapter and verse in Exodus and Genesis in which I can find the language you identified as coming from those two sources.

Mr. FAIN. I shall look in my concordance for such definite locations, particularly for expressions as, "a pillar of cloud by day and a pillar of fire by night" from Exodus.

Senator KERR. That is the one expression that in part in my judgment could be found in the Bible, but you didn't refer to it as having come from Genesis or Exodus.

You didn't use either word when you used that phrase.

Mr. FAIN. And, of course, the words, "stumbling blocks," were taken directly from the Bible, and "the voice of Sam was heard throughout the land."

Senator KERR. But I don't find Samuel in here. I asked you specifically about that.

Mr. FAIN. The expression is——

Senator KERR. You said that you used the word, "Sam," so that I wouldn't confuse it with "Samuel."

Mr. FAIN. The expression in the Song of Songs is:

The voice of the turtle was heard throughout the land.

Senator KERR. We hear that voice now, but I don't regard it as Biblical.

Mr. FAIN. It is universal, sir, like trade.

Senator KERR. I mean the voice of the turtle.

Mr. FAIN. Yes; that is what I meant, sir.

Senator ANDERSON. I have just one question here.

On page 6, you finally suggest what you believe to be the way to handle this situation, toward the bottom of the page, about 8 or 9 lines up:

> Take now from your neighbors what they wish to give, so that we make less of these things ourselves.

That is what you are trying to point out. We should manufacture less of these things in America and bring in more from the outside, such as Danish silver into this country?

Mr. FAIN. Well, of course, that cannot be taken out of context. It must be put together with the next clause, which says:

> Let us, instead, make more of those things which they want from us.

Senator ANDERSON. Yes.

Mr. FAIN. That, of course, in my mind, puts in a few simple words the whole principle of international trade.

The more millions of dollars that we buy from them, the more millions of dollars they will buy from us, and, if we are given reasonable freedom, we will buy the things which they are in a position to make and offer to us at attractive prices, and they, in turn, with free choice, will choose the things which we offer to them at attractive prices.

Senator ANDERSON. Do I understand, then, that it is your feeling, if we abolished all tariff barriers whatever, that they would have plenty of money to buy from us all the things we have in surplus, and we would have plenty of money to buy from them all the things that they have in surplus?

Mr. FAIN. I am afraid I didn't say that.

Senator ANDERSON. No, but that is where we get to, eventually.

Mr. FAIN. I will say this. I, too, like the Senator from Vermont, to whom I am referring again, had the great privilege of studying under Frank Tausig, the great professor of economics. I started, in fact, 35 years ago, and have been a great admirer of him.

Frank Tausig didn't say that. Frank Tausig did preach the doctrine of the universal benefits of free trade as against trade with obstacles.

Mr. Paul Hoffman, earlier today, touched upon the problems, of complete free trade, because it is tied up with so many things. For example, our agricultural program. But freedom of trade is not the solution to the standard of living of any one country nor to the exchange problems of any country.

It helps to make a country more prosperous, but it is not going to raise the standard of living of the people of, say, Siam or Burma, or, for that matter, of Argentina, or Brazil, automatically to the standard of living of the United States or, say, Canada.

It will help them to operate on a more efficient basis, and will be an encouragement for a gradual growth in the standard of living.

But I wouldn't take the position that a more free trade would automatically solve their problems, their standard of living, or international balance of payments.

I think that, so long as people are hungry and want things, there will be a balance-of-payments problem.

Senator ANDERSON. We did start several plans on the assumption that dollars were not available. We still have those programs, and I don't see how just taking off tariff duties will suddenly put dollars into the hands of people who don't have them.

We started with the Marshall plan. Then we had the program of agricultural surpluses. People call it trade, but it isn't trade, is it? Take soft currencies. They can't pass off anywhere else.

Mr. FAIN. It is a simple fact of our own situation that a substantial part of our exports are paid for by other things than our own imports. In the balance of payments, we have to take into account the aid and loans that have already been mentioned, matters like travel of Americans overseas, services like shipping and insurance provided by other countries.

The difference of $6 billion or $7 billion, in the dollar gap between exports and imports which was referred to by the preceding witness, had to be paid for. It wasn't paid for by our imports. It was paid for by our loans and gifts and these other things.

Now, if, in addition to these loans and gifts and other invisibles, more millions of dollars of foreigners' goods were imported, that would automatically give that many more millions of dollars of purchasing power into the hands of customers around the world.

I think a pertinent observation of what you have just said, sir, is in the fact that, in the first quarter of this year—the immediate figures are not at hand—the rate of our exports has dropped considerably compared to last year. Those in the export business are sadly aware of it.

Senator ANDERSON. Has there been a change in duties during that time?

Mr. FAIN. Not particularly.

Senator ANDERSON. No; not at all, actually.

Mr. FAIN. It is the natural forces in world trade. But it is one of the concomitant results of this drop in our exports, the statistics of the world show, that the foreign-exchange position of the other countries has improved.

Senator MARTIN. I wonder if you would comment for just about a minute as to what you have in mind relative to the different wage scales in the different countries of the world where we now have trade.

Mr. FAIN. Sir, I would be very pleased to comment on that, since you raise the question. I have definite opinions on it. I believe it is not a sound approach to raise tariffs on the basis of the so-called wage gap, for two reasons.

No. 1, the difference between the hourly wages paid in an industry in two different countries is not at all the total picture of what labor costs or total production costs are of a product. Take the cost of money, for example, which is much cheaper in this country than in most of the countries of the world. Take the cost of transportation, and compare our well-developed transportation system, communication systems, our systems with other countries.

Take the average cost of investment per worker in industry and compare that with the relatively puny cost of investment per worker. You have, as a practical matter, an almost impossible job, if you try to compare the costs of production by components of cost of production of any items in any two countries.

The only thing that can be easily determined is the wage costs per hour, but all of these other factors are so hard to pin down to the cost of that particular product. But that is not the real answer to your question, sir. The real answer is something else.

If we were to follow that line of inquiry to its logical conclusion, we would defeat the whole purpose of international trade, which is to enable any country, our country, to buy things cheaper, and let us utilize our resources for a greater volume of goods. We don't want to penalize our consumers. We want to benefit them.

Senator MARTIN. Where would your market be if you didn't have the high wage scale that we have in our country? Take, for example, this glass, I don't know whether it is a hand-blown glass or not, but let say that that is hand-blown glass, in the United States the man will get $1.75 an hour. In Belgium he will get 45 cents an hour, and labor is one-half of the cost of the production of that glass.

Now what do you have in mind as to making up the difference?

Mr. FAIN. Well, if we can buy that particular item we will say cheaper landed in America than we can make it in efficient factories in America, then obviously the consumers of America are better off and the standard of living of the people benefits. And in turn the labor of the people——

Senator MARTIN. Where is the man—his trade as a glassblower is just as important to him as the professional man, the lawyer or the doctor, just as important as it is to him. Now where does the lawyer or the doctor get the money to buy the glass?

Mr. FAIN. I will be very pleased to give you my response to that, sir. The people who sold us that thousand dollars worth of glasses now have $1,000 which they can spend to buy telephones or automobiles or television sets or whatever else they may be buying from the United States, thus creating a thousand dollars worth of business and labor for American labor, perhaps in other industries and perhaps even in other States than Pennsylvania.

We have that same problem of course in my own State of Rhode Island.

Senator MARTIN. I don't want to pursue it.

Senator ANDERSON. I am glad you did, because that is what I thought he was trying to say earlier. We now have it.

You recommend that people buy everything they can buy cheaper landed in America.

That means no textile industry in America, because we know we can buy textiles cheaper landed in America manufactured abroad than any American textile maker can make them.

That means also no silverware, because we can buy that cheaper landed in America from foreign production. This means no bicycles, no this, no that right on down the list.

Pretty soon when you have all the factories closed, who is going to take care of the consumers? I know it is a long story, but that is what I want to find out as to your philosophy.

Everything that we can buy cheaper abroad landed in America, we buy it, and that is of course completely free trade. But it eliminates the textile industry completely. It eliminates a great many other things completely, and I think it is a little dangerous.

Mr. FAIN. May I respectfully suggest, Senator, that the conclusions were yours, sir, and not mine.

Senator ANDERSON. I wrote down that you would buy everything that you could buy landed in America cheaper, and hence have more money for our consumers. You will find it in your testimony when you look at it.

Mr. FAIN. In general that is the approach.

Senator ANDERSON. I am sure it is.

Mr. FAIN. At the present time the textile industry, cotton textile fabrics, even though it has lost about half of its export markets since the postwar period until now, still exports considerably more cotton fabrics than it imports.

In the second place, the imports of the textile industry, of the cotton textile industry, at the present time are about 1 percent of the domestic producion. But basically——

Senator ANDERSON. What has that got to do with what would happen if we took all of the protection off?

Mr. FAIN. I am coming to that, sir.

Senator ANDERSON. You understand if we took all protection off, wouldn't it be true, do you know, or do you question it?

Mr. FAIN. That is what I wish to explain.

We will buy, if we are not hindered, things from other countries to the extent that we are able to buy and they are able to sell, and to the extent conversely that they are able to deliver to us.

It is rather a strange conception if we carry it to the extreme, that all of us in America would be sitting down in easy chairs living off the fat of the land and that the people of the world would deliver automobiles and textiles and glassware and desks and chairs to us without expecting to get paid.

If we are going to import another $10 million of textile fabrics, conversely we will have to export another $10 million of something else to pay for it. I can't possibly conceive of the people, the nations of the world, shipping us goods without taking goods in return.

Senator ANDERSON. We do it. Why can't they?

Mr. FAIN. We do it because we are the wealthy house of Sam.

Senator ANDERSON. They will become the wealthy house of Sam.

Mr. FAIN. Actually, when you analyze that, sir, we do reduce the standard of living of our people by several billion dollars a year by grants and gifts that we give people. We think that is a wise investment, but we are taking it out of the standard of living of the people.

In the early days when the balance of trade was different between the United States and Western Europe, it was the reverse. They were feeding us things to help our industrialization and standard of living in the form principally of foreign investment.

The worm has turned. We were the poor relation. We are now the wealthy relation, and we are not only giving them goods, for what we take from them, but we are giving them a plus besides.

Senator ANDERSON. I just wanted to be reassured that I understood.

Senator WILLIAMS. Just assume that we carry this program into effect as your advocating it, and that we start buying all of our textiles abroad, because we can buy them cheaper.

We in turn buy all of our oil because we can buy it cheaper abroad, and assume for the moment that in turn we do manufacture other goods which we can sell to them and that balance of trade is going on as you say.

Mr. FAIN. Yes.

Senator WILLIAMS. Now suppose a war develops. What happens to America then when our textile industry, our oil industry, and our watch industry and all of these industries have been abolished in America? Could we have time to rebuild them in these modern times, or what can we do?

Mr. FAIN. I think I can give you a quick three-part response. Bear in mind I am talking quickly ad lib and I will be as rational as I can.

No. 1, neither I nor anybody else that I have heard so far today has proposed that we eliminate all tariff restrictions.

Senator WILLIAMS. You used the word "ultimately".

Mr. FAIN. Ultimately that is an ideal goal.

Senator WILLIAMS. We will project ourselves to that ultimate goal where we have reached that point where we are importing all of our textiles, we are importing all of our oil, our watches, and many of the other products which it is recognized they can make abroad.

We have eliminated all tariffs and in turn we will assume that the balance of trade is equal and we are making other products, televisions and so forth, and shipping them abroad. Project yourself to war developing, and what happens to America, because that is the question we have got to consider.

Mr. FAIN. I am very pleased that you brought it up, and I am prepared to answer it.

Preliminarily, let me just say that I can't conceive of a situation in the foreseeable future where a tremendous industry in the United States—I don't mean a peripheral one like clothespins but a tremendous industry like textiles—would simply fold up and be replaced by imports.

Senator WILLIAMS. But I understood you to say that ultimately that was the goal.

Mr. FAIN. I didn't say that ultimately the goal was to eliminate any one industry. The goal was to buy efficiently all around the world, sir.

Senator WILLIAMS. But it was recognized that ultimately that would be the result; is that not the status of your testimony?

Mr. FAIN. I would not be so bold as to look beyond the foreseeable future as to what will happen after 25 or 50 years of progressive tariff reduction.

Senator WILLIAMS. You picked up from Genesis and Exodus and brought us up to date, so I believe you can go 25 years further.

Mr. FAIN. Let me continue. I do recognize that there is the matter of national security which is not strictly an economic matter, and many things we do in the name of national security are not done for economic reasons. But I would point out this: That for reasons of national security we have to have a reasonable standard, and we cannot say that every industry in its present status, with its present number of factories and number of employees, must be preserved as it is. That is changing anyway day by day with the impact of changes for technological and other reasons, and it can change also because of the impact of imports.

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

Mr. FAIN. Thank you, sir, for the privilege of appearing.

The CHAIRMAN. The next witness is Gen. J. Lawton Collins. General Collins, I am very glad to see you again.

Senator KERR. General, I hope you don't go to paraphrasing Army regulations.

STATEMENT OF J. LAWTON COLLINS, GENERAL, UNITED STATES ARMY, RETIRED, VICE CHAIRMAN OF BOARD, PFIZER INTERNATIONAL, INC.

The CHAIRMAN. Will you proceed, sir.

General COLLINS. Senator Byrd and Senators, first, let me thank the distinguished members of the Senate Finance Committee for allowing me this opportunity to support the Trade Agreements Extension Act of 1958 as contained in H. R. 12591.

Since last I appeared on Capitol Hill in support of the military programs of the United States, I have joined the board of directors of Charles Pfizer & Co., Inc., and have been elected to the vice chairmanship of the board of directors of Pfizer International, Inc. The Pfizer organization is the world's largest producer of antibiotics, a pioneer in the field of fermentation chemistry, and has also made substantial contributions in the field of organic synthesis. Its product line includes antibiotics, vitamins, steroids, vaccines, animal health and nutritional products. In the past decade international trade has become of tremendous importance to Pfizer and to its 13,000 employees and 25,000 shareholders and now constitutes about 37 percent of its overall business. We have manufacturing plants in 14 countries abroad and sell our products in almost every part of the globe. At the same time we receive raw materials and some finished goods from a variety of foreign countries. We know from experience the problems involved in the give-and-take of foreign trade.

On behalf of the international subsidiaries of Pfizer, I would like to express our support of the Trade Agreements Extension Act of 1958 as a measure which fosters international trade on a sound basis and which will enable Pfizer to continue its efforts to expand its trade overseas to the mutual benefit of our country and those with whom we trade.

Throughout this past year I have taken an active part in the international activities of Pfizer, have traveled extensively in Europe and the Middle East, and, of course, have kept in touch with developments in the international situation. It is clear to me that as an uneasy balance in military power is gradually being reached between the free world and the Soviet bloc, the Communists have shifted their major emphasis into the vastly important area of economic warfare. This type of warfare was outlined by Premier Khrushchev in an interview with William Randolph Hearst, Jr., in the fall of 1957 when Mr. Khrushchev is reported to have said:

> We declare war upon you—excuse me for using such an expression—in the peaceful field of trade. We declare a war we will win over the United States. The threat to the United States is not the ICBM, but in the field of peaceful production. We are relentless in this and it will prove the superiority of our system.

The Congress of the United States has recognized that to dissuade the Russians from converting their cold-war military threats into a shooting conflict we must remain strong, and is generously supplying the essential funds and facilities to maintain this strength. Industry needs support of a different nature, in the form of a more stable foreign trade and foreign development policy, if we are to win the new economic struggle which Khrushchev has so openly declared. We in Pfizer International regard the Trade Agreements Extension Act of 1958 as one of the essential tools made available to the executive branch of the Government by the Congress to insure that United States industry does not lose to the Communists the billions of dollars of export-import trade that is so important to the economic well-being and stability, not only of the United States, but of the entire free world.

So we were gratified to witness the bipartisan unity of the House of Representatives in passing H. R. 12591 with such an overwhelming majority. When one considers that the trade agreements program was first enacted in 1934 and has been extended 10 different times for a total of 24 years, during which period the United States achieved world trade leadership, it would seem obvious that the reciprocal trade program has proven to be one of the most beneficial instruments of our foreign economic policy.

But as the problems of world trade have become more complicated the necessity for assured continuity of our trade policies has increased.

I believe, if I might interject parenthetically here, Mr. Chairman, this factor of "assured continuity" of policy direction was the point that Senator Flanders was driving at earlier today in his discussion with Mr. Paul Hoffman and I will refer to it again a little later in my statement.

Pfizer International is specifically alert to this necessity. For example, we have manufacturing plants in 3 of the 6 countries making up the newly formed European Economic Community. Our investment in the three plants totals well over $11 million, and our annual sales within the 6 countries is in excess of $20 million. As is well known to this committee, the member countries of the EEC have agreed to fix a common tariff for the entire community. The 160 million consumers living within the European Community are a great potential market for American goods and at the same time a powerful competitive trade bloc. Producers within this area will have many advantages over producers outside, and there will be strong inside pressures to enhance these advantages by not lowering tariffs, which will apply to nations not members of the community, below existing national tariffs. The United States, in concert with other countries subscribing to the General Agreements on Tariffs and Trade, must be prepared to bargain with the Common Market on these external tariffs.

The resulting reciprocal-tariff agreements will have a profound effect on the cost of bulk antibiotics imported from the United States which are processed and distributed within the Community. Consequently, our competitive position within the Common Market could be very adversely affected. If we cannot sell at competitive prices, our plants must close. Furthermore, since the general level of Common Market tariffs will effect national tariffs in European and other countries not members of the Economic Community, the volume of our shipments from our principal European distribution center in Belgium to the Scandinavian countries, Turkey, and the Middle East—now largely supplied from our stocks in Belgium—could be markedly affected.

Between now and 1962, when the first stages of establishment of the common tariff will become effective, there will have to be continuous and difficult negotiations under GATT to which the United States will be a major party. If the trade-agreements authority is extended for only 3 years, as some persons advocate, this authority would expire in the midst of these essential negotiations. Our negotiators would be at a tremendous disadvantage and the representatives of the Common Market would have no assurance as to the basis of United States negotiations, which I think again is the point that Senator Flanders referred to. Pfizer's stake in Europe is too great for us to accept willingly the risks inherent in such a bargaining basis. Hence, we strongly advocate an extension of authority contained in H. R. 12591 for at least 5 years.

It is, of course, recognized that the interests opposing the Trade Agreements Extension Act of 1958 are advancing their points of view in what they consider to be the best interests of the United States, but it would seem that the escape clauses contained in the act will adequately protect injured parties and we certainly feel that they are adequate for the protection of our own domestic interests.

In summary, therefore, I am glad to have this opportunity to express my wholehearted support of H. R. 12591 and I commend this timely opportunity to continue and strengthen our economic friendship with the rest of the world in the face of the Soviet threat of unrestricted economic warfare.

The CHAIRMAN. Thank you very much, General. Any questions?

Senator ANDERSON. I want to try to get straight here. I apparently don't follow you on some of this. You say on page 2:

> We have manufacturing plants in 3 of the 6 countries.

General COLLINS. Right.

Senator ANDERSON. What do those plants make?

General COLLINS. Pharmaceutical products very largely, but some fine chemicals, also.

Senator ANDERSON. You say you sell about $20 million worth?

General COLLINS. Within those six countries.

Senator ANDERSON. Is it produced there?

General COLLINS. Yes, sir; largely produced there.

Senator ANDERSON. Why would our tariff policy have any effect upon those sales?

General COLLINS. If the members of the Common Market do not lower their tariffs, if on the other hand, for example, they raise their tariffs, then the price of bulk antibiotics, which we send from the United States, manufactured in the United States, that we send to France, for reprocessing and manufacture into dosage forms, that price would be increased. This would therefore increase the costs of our packaged goods in Europe and would lessen our competitive position with EEC countries. For example, Germany could manufacture essentially the same type of articles and could undersell us.

Senator ANDERSON. But you have plants of your own there already in Germany.

General COLLINS. No, sir; we have none in Germany. We have a plant in France, a plant in Belgium and a plant in Italy. But the packaging plants in Belgium and in Italy draw their bulk antibiotics largely from the United States, which are subject to tariffs going into those countries. In other areas of the world they are also subject to import quotas, which I think is also the case in both Belgium and Italy. I am not positive on this latter point.

So, therefore, unless we can persuade the Common Market countries to do what they intend doing, that is to have a common tariff which will be not greater than the present national tariffs of any one of the member countries——

Senator ANDERSON. Isn't that what they are planning?

General COLLINS. That is what they are planning, but the point is that if for any reason that should not be done——

Senator ANDERSON. How does that damage you?

General COLLINS. Well, it wouldn't damage us if they go through with their planned reductions.

Senator ANDERSON. You are questioning their good faith?

General COLLINS. No; not necessarily, but we would like to see even the present tariffs we have to pay on goods that we import lowered. The EEC proposal now is that the new common tariff shall not be higher than the lowest current national tariffs of any one of the six member countries. We would like to see them fix the common tariff even below that point, and that is going to take some bargaining.

Senator ANDERSON. Haven't I been reading in Fortune magazine something about Pfizer? Hasn't it been doing pretty well?

General COLLINS. Yes, sir; and we would like to continue doing so.

Senator ANDERSON. Hasn't it been growing very much under present policy?

General COLLINS. Yes, sir; and we would like to continue that growth.

Senator ANDERSON. We would all like to grow much faster, but Pfizer has no complaints; has it?

General COLLINS. Pfizer has no complaints now; no, sir. We haven't come up here offering a complaint. What we are asking is that this law be extended for an additional 5 years, for the reasons that I have given in my testimony. We are not offering any complaint.

Senator ANDERSON. But you have listed what is going to happen under the Common Market as the reason for it.

General COLLINS. No, sir; I said the reason why we would like to have it extended 5 years—perhaps I didn't make that sufficiently clear, Senator——

Senator ANDERSON. In concert with other countries subscribing to the General Agreement on Tariffs and Trade. We must be prepared to bargain with the Common Market on these external tariffs.

General COLLINS. Right.

Senator ANDERSON. We got along all right bargaining without the Common Market; didn't we?

General COLLINS. But the bargaining was under the Trade Agreements Act and we say that our hand will be strengthened in the future bargaining with the Common European Market countries if, from the beginning to the end of this bargaining we operate under one act, the provisions of which are clearly known not only to us, but also to the people with whom we are bargaining, rather than possibly changing the basis of the bargaining. That is our point.

Senator ANDERSON. Do you understand that if this Trade Agreements Act is not renewed, that all things that have been done in the past are wiped out?

General COLLINS. No, sir; I wouldn't go so far as to say that.

Senator ANDERSON. What would happen, do you think?

General COLLINS. I think that there would probably be a certain amount of bargaining continued, but our point is that we have done very well under this present law. We believe that it is going to be necessary to negotiate, as it always is, with these foreign countries, and our point is that instead of possibly changing the rules in the middle of the negotiations, it would be far sounder to continue them to a conclusion under whatever act Congress passes.

Senator ANDERSON. It would only permit them to bargain further. It wouldn't stop the bargaining that has taken place. It wouldn't change the levels thus far achieved, and your company is one that certainly can't complain about those levels. You have done all right abroad in the last few years; haven't you?

General COLLINS. Yes, sir; and as I say, we would like to continue that progress. Our point again, Senator, is that it is possible, in our judgment, that the present levels within the European Common Market may be lowered through bargaining. Our point is that the Trade Agreements Act gives to the executive branch of our Government a flexibility of negotiation under certain rules which are stipulated by the Congress. We feel that the act continuing the present policies, which have worked so well, should be extended for 5 years in order that the negotiations be conducted on a firm stable basis throughout that period when the Common Market is going through the process of setting up its external tariff. That is our point.

The CHAIRMAN. Thank you very much, General.

General COLLINS. Thank you. It is nice to see you all again.

The CHAIRMAN. Mr. Irvin Lechliter of the American Veterans Committee is the next witness.

STATEMENT OF IRVIN LECHLITER, EXECUTIVE DIRECTOR, THE AMERICAN VETERANS COMMITTEE

Mr. LECHLITER. I am Irvin Lechliter, executive director of the American Veterans Committee. I appreciate an opportunity to appear before you to present our point of view on the extension of the Reciprocal Trade Act.

I have, I believe, given you a prepared statement, and in the interest of time, if I may have your permission, I will just very briefly outline the reasons why we favor the extension of the Reciprocal Trade Act for a period of 5 years.

The CHAIRMAN. Do you want your statement inserted in the record?

Mr. LECHLITER. Yes, sir, I should like the statement inserted in the record.

(The statement referred to is as follows:)

STATEMENT BY IRVIN LECHLITER, EXECUTIVE DIRECTOR OF THE AMERICAN VETERANS COMMITTEE

This testimony is presented by the American Veterans Committee in support of a 5-year extension of the Reciprocal Trade Act because AVC members believe that, as citizens as well as veterans, they have an obligation to support a responsible foreign policy. We base our advocacy of extension of the Reciprocal Trade Act until June 30, 1963, on the following premises:

1. For the most part today's free nations, including America, have consistently underestimated the potential of Russia in the cold war struggle for world supremacy. We have underestimated this potential not only in the technological field but we have underestimated the Soviet Union's economic potential as well. Months ago Khrushchev announced the Soviet objective of gaining control of the world by "peaceful" economic penetration, particularly in uncommitted areas. While this offensive is economic in base, it is, of course, politically motivated Khrushchev recognized that many of today's underdeveloped nations are almost entirely dependent for their existence on trade with other nations. If this is not available with nations of the free world the only alternative is trade with the Communist world. Out of such situations will the Soviet Government gain political control over nations that become economically dependent on the Communist bloc simply because they can't trade with us and other free nations. We need no more dramatic illustration of this than the current political repercussions resulting from the extension to Egypt by Russia of a market for Egypt's cotton.

2. However, there are reasons for the continuation of reciprocal trade equally as pragmatic as those related to our economic competition with the Communist bloc. Consider these two facts: (1) at least 4,500,000 American workers are dependent on America's world trade for their jobs; (2) the United States exports about four times, in terms of dollars, more than it imports. By our failure to renew the Reciprocal Trade Act, we should vastly diminish the ability of foreign nations to sell to us and thus accumulate dollars with which to pay for commodities we have for sale to them. This is "loss of nose to spite face" with a vengeance. By extending the Reciprocal Trade Act for another 5 years we shall be recognizing today's economic fact of life: the importance of foreign trade as a segment of our national economy.

3. Something also needs to be said in support of extending the Reciprocal Trade Act for a full period of 5 years—not 3 years, or 2 years, or 1 year—but 5 years. I am sure there has been, or will be, other testimony before this committee on the importance of a 5-year extension in light of the problems with which this Government will be confronted vis-a-vis the negotiations in 1962 of trade agreements with the six Europeans nations adhering to the common market. Let me only say, then, that AVC considers it unthinkable that the President of the United States should face the prospect of those negotiations without reliance upon the authority (and the time for adequate preparation) which only a 5-year extension of this legislation can give him.

In addition to this immediate and compelling need for extending the act for 5 years, AVC believes that such extension will serve an even longer range purpose. The reciprocal trade policy of this Government originated in 1934 and the wisdom of the policy has since been 10 times reaffirmed by the Congress. We believe that reciprocal trade has thus established itself as a long-range adjunct of our foreign policy. In view of the fluid and complex international situation which faces our Nation for the foreseeable future, America urgently needs the stability in its tariff and trade policies which a 5-year extension of this legislation will afford.

Finally, AVC is not unmindful of certain displacement of some industries and the resultant impact on labor employed in those few industries that arise from the implementation of the Reciprocal Trade Act. However, we think that the escape-clause procedure and peril-point procedure of present legislation as it would be amended by the new legislation provides a considerable number of safegaurds in such instances. In any event, we do not believe that the solution to the competitive stresses of the world market lies in the multiplication of importing restrictions by this Government. Rather we believe that the solution is to be found in shifts of both capital and labor, where necessary, into more productive channels and we shall support at the appropriate time an adequate trade adjustment proposal toward this end. Fortunately, at least two such proposals have in the past few days been submitted to the Congress for consideration.

In conclusion, the American Veterans Committee urges a favorable report by the Senate Finance Committee of a 5-year extension of the Reciprocal Trade Act because—

(1) The legislation is vital to America's strength in the economic struggle with the Communist bloc for the continued freedom of the uncommitted areas of the world.

(2) The continuation of the Reciprocal Trade Act is necessary to an expanded American foreign trade which is today an increasingly important segment of our economy.

(3) It will lend greater stability to American foreign policy.

Mr. LECHLITER. We make three points in support of a continuation of the program for a period of 5 years. Our point No. 1 is that we believe the continuation of the legislation is necessary in order to combat the Soviet economic penetration in many uncommitted areas of the world.

Underdeveloped nations, particularly, have to trade for their existence, and if they can't trade with the United States, they are inevitably going to turn to trade with the Soviet bloc. That economic penetration by the Soviet bloc will, of course, result in political control, and we believe that an extension of the Reciprocal Trade Act affords the best possibility of avoiding that catastrophe.

No. 2, we believe that foreign trade is a most important segment of our national economy. We know that 4½ million workers in the United States depend on foreign trade for their employment.

Also, the more goods we import from foreign countries, the more foreign nations have dollars to buy goods that we sell. And so we think that as a matter of sound economy the act should be continued.

Thirdly, we would urge a continuation for the full 5-year period as the bill, H. R. 12591 passed the House. I shall not say anything more about the problems involved in the Common Market negotiations, but I should like to add that the American Veterans Committee believes that extending the act for a period of 5 years is a good step forward in stabilizing our trade policy as an integral part of our foreign policy.

We think that it is advantageous to have a long-range period in which to carry out any segment of foreign policy and the Trade Agreements Act is certainly an important part of our foreign policy.

With that, I shall close, urging that a favorable report be made by this committee to the Senate on extension of the act for a period of 5 years.

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

The next witness is Mr. George F. Kohn.

STATEMENT OF GEORGE F. KOHN, PRESIDENT, PRECISION GRINDING WHEEL CO., INC., PHILADELPHIA, PA.

Mr. KOHN. First, I would like to thank you for the privilege of coming here, and to say before I give this presentation that I am fully conversent with the difficulties involved in making decisions regarding this vast project. Some are matters of fact and some are matters of opinion, and I am happy to say that we still have that freedom of difference of opinion here.

I am president of the Precision Grinding Wheel Co., Inc., of Philadelphia, Pa., a manufacturer of grinding wheels.

I come here as a private citizen interested in the extension of the Reciprocal Trade Agreement Act.

The act has little effect upon the business of the company I head. We have a very limited export business and our domestic business is negligibly influenced by the import of foreign wheels, even though the tariffs on them are nominal. Our methods of production and our technology give us an advantage which is not adversely affected by foreign competition.

American industries generally, subject to reasonable protections, have successfully withstood the impact of foreign competition, and I believe will continue to do so as long as our economy remains dynamic.

In any consideration of the extension of our reciprocal trade agreements, it is today impossible to divorce the international factors from the domestic. But it is my sincere belief that the factors of both are favorable and positive. Many persons have already appeared before you. I am certain that everything I shall present has been said before. I trust, however, that the weight of quantity in conjunction with qualitative factors will influence Congress to give approval to the Administration's request for a minimum 5 years' extension of the act.

We all know that Russia is employing every available means, short of a hot war, to defeat us. They are making trade concessions, particularly in areas where political indecisiveness prevails. Their aim is to ally as many countries as possible on their side and extend their sphere of political and economic influence as far and as wide as possible. They would weaken the unity of the free world and divide whenever and wherever possible. One of their most effective weapons is that of economic attrition. If successful they could gain increasing world control and power without a shot being fired or a bomb being dropped. And may I parenthetically, apropos of what General Collins said, say that was a statement which was made directly by Khrushchev in different language.

A trade policy of the United States which permits a continuing freer exchange of goods throughout normal trading areas can do much to circumvent Russian efforts. Not only our natural allies but many so-called neutralist countries will be normally and economically strengthened by an extension of our Reciprocal Trade Act. They need at this time tangible evidence of a cooperative and helpful attitude on the part of the United States. As direct aid is reduced the slack needs to be taken up by increased trade. Many of our friends depend upon trade for their very existence. They must seek it where they can. If our doors are closed to them, either actually or practically, they must turn elsewhere and Russia is willing and waiting.

Already there are tangible signs of attempts to become less dependent on the United States. The European Economic Community became a reality on January 1 of this year. We have supported and encouraged the move. As this Western group works toward the reduction of trade barriers among themselves, it is important that we be in a position to negotiate favorably with them. Only by so doing will we be in a position to keep them from becoming restrictive rather than inclusive.

Though much more could be said on the international aspects of the situation, I think the facts thereon are generally well known and accepted by a large majority of our citizenry. There seems to be much more difference of opinion on the domestic economic facts.

May I state unequivocally at this point that I am not advocating free trade. What I do urge is the enactment of a bill that will not basically alter that which has been extant since 1934. During the 23 years that have intervened we have given, through democratic processes, privileges to our President to negotiate reciprocal trade agreements. These agreements have always been subject to legislative limitations and congressional action. They should be. But this is no time to revoke them. To those who are better equipped than I, I defer in matters of detail. I only urge that the act, which I trust will be continued, will be no more restrictive—no less liberal—than the present. I hope our present economic recession will not be unwisely used as an excuse to weaken the act. It would be economically, as well as securitywise, an error to do so.

From the standpoint of our domestic economy, leaving aside entirely the international-political factors, what is the situation?

Some 4½ million of our workforce depend upon exports for their livelihood. Were these exports suddenly to stop, it requires no great imagination to visualize the impact upon our economy. These exports represent need. They are not the results of an altruistic attitude on the part of the purchasers. If these purchasers cannot find an outlet for their goods in the United States, they must seek markets elsewhere. They cannot buy from us unless they have markets here. They are practically estopped from buying from us except through trade balances. Other media are available but not sufficient.

In 1957 our exports exceeded our imports by about $8 billions; $20 billions versus $12 billions. Certainly not an inconsiderable figure contributing substantially to employment. But even if the balance was less favorable, the fact remains that we must buy extensively in the foreign markets if our economy is to continue. Though we have been liberally blessed with great material resources, many of the manufactured goods we take for granted in our daily lives are dependent upon raw materials unavailable there. Many of the alloys used in our metal manufacturing come from other countries and are a sine qua non of our economy. It is axiomatic that the export of goods and foodstuffs is an economic cushion for us, offsetting the costs of indispensible imports. Closing the doors to the import of other goods and materials will inevitably raise barriers for our exports and weaken us both economically and in our spheres of influence.

It is frequently stated that lowering tariff barriers and encouraging imports work hardships on certain industries and segments thereof. That labor dislocations concurrently occur. There have been protections against this. They should be continued on a sound and reasonable basis. But not to the point of establishing the equivalent of subsidies for marginal operators. I know of no subsidies that protect my company against domestic competition, if competitors can produce and distribute grinding wheels more cheaply than we. Yet I would surely recommend the protection of efficient industries against foreign competition. I would protect individual companies with an industry, irrespective of their marginal nature, where the national security is involved. This could readily be accomplished in the writing of the Reciprocal Trade Act, and I think has been accomplished in the writing of it by the House.

But I would caution against the act being so written that, irrespective of consideration of National Security, every company in every industry be protected against the impact of foreign goods. I repeat—the wording of the legislation I would leave in the hands of you competent gentlemen.

I am sure that proper provision can be made for those few instances where individual hardships occur. Bills are presently pending to take care of them. Special considerations on geographical reallocation, on unemployment compensation, on loans, and so forth, can and should be made.

Statistics show the numbers involved are nominal compared with those whose welfare lies in the continuation of large volume export. It is these latter who are the many—the others the few—who need special treatment.

In closing I urge most earnestly favorable action on the continuation of our Reciprocal Trade Act. I urge a minimum of 5 years be included in the bill. Fewer than 5 years will fail to assure ourselves and our international friends that we are truly dedicated to the principles of liberalized trade and may indeed bring to pass a psychology almost as negative as failure to extend the act. We need our international friends. They desperately need our leadership and cooperation at this time. And most of all, and selfishly, we need the continuation and the expansion of our foreign markets. Only through reenactment of our Reciprocal Trade Act can this be assured.

The CHAIRMAN. Thank you very much, Mr. Kohn. Are there any questions?

The next witness is Mr. J. F. Mersereau.

STATEMENT OF J. F. MERSEREAU, FOSTER WHEELER CORP.

Mr. MERSEREAU. My name is James F. Mersereau. I am vice president of Foster Wheeler Corp. I wish to thank the Senate Finance Committee for this opportunity to appear before it in support of H. R. 12591, the Trade Agreements Extension Act of 1958, and to present certain points resulting from the experience of my company in foreign business which may be of interest in connection with the bill now before your committee for consideration.

Our company is essentially an engineering and manufacturing concern. We are engaged in the engineering, design, and construction of petroleum refineries, petrochemical and related plants, and other industrial installations. We design and fabricate marine boilers and condensers for merchant marines and navies, as well as large stationary steam-generating equipment for public utilities and industry. We also design and fabricate heat exchangers, evaporators, pressure vessels, and cooling towers. We supply certain control equipment and are engaged in the nuclear energy field, mainly in the supply of components. Our principal office is in New York City, and we have manufacturing plants at Dansville, N. Y., Carteret, N. J., Mountaintop (Wilkes-Barre), Pa., and Arcata, Calif. We employ approximately 5,000 in this country, apart from our construction business, where our employment figures will range from 1,000 to 3,000 men in this country, and approximately 1,000 on construction jobs abroad.

In connection with our foreign business, we have a wholly owned Canadian subsidiary, Foster Wheeler, Ltd., with a manufacturing plant at St. Catherines, near Hamilton. This subsidiary is engaged in substantially the same business as the parent company and employs about 1,000 people. We also have a wholly owned subsidiary in England, Foster Wheeler, Ltd., London, which is engaged in the same kind of business we are, principally in the sterling area, and employs approximately 4,500 people. Our French subsidiary, Societe Foster Wheeler Francaise, is primarily engaged in engineering, employes about 500 people, but has no manufacturing facilities. Our German company is not active, but can be expanded for engineering work at the proper time. Our English company has recently formed an Italian subsidiary, which is engaged in engineering and procurement in Italy. We have organized a Japanese company, Ishikawajima-Foster Wheeler, in association with our Japanese licensees, which provides engineering services for petroleum refineries and petrochemical plants in Japan. We have licensing agreements for our engineering and designs in France, Germany, Holland, Japan and other countries.

Our subsidiaries are primarily engaged in furnishing services and equipment to the areas served by the respective subsidiary. Through each of the subsidiaries we are able to provide United States engineering techniques and know-how. Further, our subsidiaries have enabled us to obtain business and furnish equipment for currencies other than dollars in areas where the customer would not be in a position to purchase for dollars. At no time have we supplied foreign services or equipment to United States customers in the United States, except for certain specialized items which are not available or manufactured here.

I have taken the committee's time in describing our activities to demonstrate the scope of our work and to show that we are in a position to supply our services, designs, and equipment from foreign sources as well as from the United States. Our primary emphasis has been upon dollar business both at home and abroad. However, our operations are flexible, and we are in a position to supply our services and equipment for foreign currencies where the lack of dollars makes it necessary to do so.

Almost invariably recent inquiries from local or government entitles abroad for petroleum refineries or chemical plants now stipulate that dollar costs be held to a minimum and that financing terms would be desirable. This is understandable, in view of the fact that the installations we supply run into millions of dollars. Because of the shortage of dollars and the tendency of European banking groups to be more liberal with their credits to support their exports to certain areas, including South America, our foreign customers frequently look to Europe, although they would prefer the engineering techniques, materials, and equipment offered from the United States. On our part, we would prefer to supply equipment from the United States, for by so doing we can do a more rapid and efficient job, have reasonable assurances that the equipment will perform according to our duty requirements, and can count on the steady availability of replacement parts. Almost without exception our customers in Latin America prefer United States services and equipment, even to the extent of paying a premium price in some instances, but the lack of dollar exchange many times forces them to look elsewhere.

With respect to comparative costs, the varied types of equipment going into petroleum refineries and petrochemical plants show little difference in overall equipment cost between the total equipment as supplied to the foreign customer from the United States or from European or other sources. There is some differential in the cost of engineering services, and in certain items of equipment, where the United States prices are higher than the foreign price, due to our wage rates and overhead, but this is frequently offset by earlier deliveries and the customers recognition of United States quality. We have also noticed that recent wage increases in Europe are comparatively at a higher percentage than here and there may be a much smaller wage differential in the future. This will have the tendency to bring costs more in line.

The projects in which we are interested are designed to meet urgent local needs, will represent an effective and substantial dollar exchange savings in the countries involved, and make an effective contribution to their industrial development. A petroleum refinery through the processing of the crude oil by local labor would represent a saving equivalent to the difference between the cost of crude oil and the cost of the products which would otherwise have to be imported into the foreign country. With respect to a fertilizer plan using local raw materials, the exchange saving is the equivalent to the price of the product which would otherwise have to be imported. Such projects, involving substantial capital costs, provide a large market for United States services and equipment and represent an important element in our export trade. They provide employment to thousands of skilled workers in this country and constitute the potential for our further industrial development. In addition, such projects are important in the development of the foreign country and make it possible for it to increase its own production, thereby contributing greatly to its industrial resources and improvement in the standard of living of its people.

This, in turn, results in further and increased trade and the creation of new markets for our products. In order to permit the participation of our own industries in these markets, it is essential that the foreign countries be placed in a position where they can obtain the dollars to pay for the services, goods, and equipment supplied by the United States. It is obvious that this cannot be a one-way street, and that we must place our foreign customers in a position to obtain dollars for otherwise we cannot possibly sell to them for dollars.

We have seen many instances where, because of lack of dollars, our foreign customers in markets heretofore mainly supplied by the United States have turned to other sources for the materials and equipment they require. We have just completed an ammonia fertilizer plant in South America where a substantial portion of the services and practically all of the equipment was furnished from France on long-term credits. Several large petroleum refineries in the same area recently completed, or in the course of construction, have been furnished by United States engineering firms with European equipment. The Petrobras Refinery at Rio de Janeiro, for which we have the contract, will undoubtedly look to Europe for most of its equipment.

These projects represent a loss of many millions of dollars worth of business to our United States industries; business which would have been ours if dollars had been available. Other projects in Argentina, Chile, and Colombia, to mention a few, have developed and are developing along similar lines. The Indian Government has projected a large petroleum refinery at Baurani and a large fertilizer plant at Neyveli, both jobs representing millions of dollars in equipment, and will probably have to look to Europe for equipment supply due to shortage of dollars and the attractive financing and credit terms offered by European vendors.

In view of the position of my company worldwide, we have not had much occasion to get into the details of the Smoot-Hawley Tariff Act, or for that matter, the reciprocal trade agreement. I for one am not conversant with the specific provisions of this legislation. Consequently, I lack the background and the knowledge to answer questions of this committee regarding the specific provisions of H. R. 12591. Nevertheless, my company is vitally interested in maintaining our markets for the benefit of our United States operations, and for the supply of our equipment and the equipment of our many vendors from the United States to our customers in Latin America and elsewhere.

The two biggest problems we have confronting us in this respect are the problems of exchange and the problem of credits. As I stated before, these problems are problems for our customers, but obviously, unless our customers obtain the necessary dollar exchange and unless they are able to arrange the requisite financing, where credit terms are necessary, with reasonable assurances of improving their dollar position to repay such dollar credits and financing at their maturity dates, we are not in a position to supply United States services or equipment and must necessarily look to our subsidiaries and to our vendors abroad if we want the job.

It is, therefore, to our interest to support any procedure or action which may be taken by our Government to make available more dollars abroad and in this manner to make it possible for us to take more jobs to provide work for our engineering offices here, to provide work for our plants and employment for our people and to help the many vendors in the United States to provide equipment from their plants here to our jobs abroad, which would otherwise be supplied from foreign sources. We believe that H. R. 12591 would result generally in an increase in our export trade and would assist in preserving to the United States markets for services and equipment which under a restrictionist policy would surely be lost.

It may interest this committee that in my own company's case the expansion of our business abroad has been reflected by a comparable expansion of our business and employment at home. It has similarly contributed to greater business for the many United States companies who furnish us with the varied types of equipment needed for our installations.

At this point I might say that we have not encountered serious competition from the Soviet bloc up to the present time. There have been instances where the Iron Curtain has been active and has offered to furnish our foreign government customers with substanital supplies of equipment on extended credit terms. We understand that Russia, through Rumania, is supplying a moderately sized refinery in India and has made offers of long-term credits and the supply of services and equipment for a fertilizer plant. We have heard of several similar offers to several of the countries in South America, where, in each instance coming to our attention, there has been an expressed reluctance on the part of the customer to consider the Russian offers. We may be witnessing part of the first phase of the projected Russian economic penetration in Latin America and elsewhere.

This may become more serious in the near future unless we take the action necessary to preserve our markets abroad and make it possible for customers of those markets to purchase from us in ever-increasing quantities the services and materials they prefer to those from other sources. It is obvious to most of us that economic relations and the facilitation of exports and imports and the exchange of commodities between the United States and other countries abroad is essential to maintain not only our close business ties but also our political and military ties for our mutual development and the defense of our way of life.

As your committee may have gathered, our engineering business is closely related to the petroleum industry in the United States. At the risk of repetition of some of the statements made above, and with the permission of the Texas Co., we would like to bring to the committee's attention the statement of Mr. Augustus C. Long, chairman of the board of the Texas Co., which he made to his stockholders recently where he said the following:

> The tendency of nations in modern times frequently has been to try, by means of trade barriers, to enjoy the benefits of being sellers without being customers themselves. This is obviously unsound; one nation obtains the money to buy products from another nation only by selling its own products. It is therefore a form of economic suicide to shut out a wide range of imports by means of excessive tariffs and quota restrictions. The purpose of the Trade Agreements Act extension now before the Congress is to avoid doing this.
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> There are two main aspects to the case for renewal of the act. The first represents the simple dollars-and-cents approach: It is good for the American people in material terms to have this act renewed. Many American firms and workers are dependent on foreign sales of the goods they produce. Some 4.5 million American workers gain their livelihood from foreign trade activity. Since we cannot sell if we do not buy, firms and workers engaged in these activites will suffer if the United States should now abandon its policy of reducing trade barriers.
>
> The second part of the case relates to the leadership position of the United States in the free world. If the Trade Agreements Act is not renewed, or is renewed with excessive protectionist provisions, there inevitably would be a trend toward economic nationalism the world over. American exports would be shut out from many foreign markets. The general posture of the free world as opposed to the Soviet bloc would be weakened.

We believe that stability in our trade policy is essential to the forward planning of all business engaged directly or indirectly in foreign trade. We certainly find this true in our case. This stability is dependent upon the length of time of the Trade Agreements Act extension. Your committee has had many presentations with respect to the European Common Market, the European free-trade area, and doubtless much learned discussion of the importance of time with respect to the extension of the Trade Agreements Act. It is submitted that to be effective, the reciprocal trade agreement should be extended for a minimum of 5 years. Without such a 5-year period within which to develop the procedures and to carry out the negotiations to make the act effective, it would lose much of its force and benefit and would certainly deprive the appropriate departments of our Government of a basis to carry out their negotiations in an effective manner.

We are all aware that as countries develop economically they become better customers for our exports. Our foreign investments and the credits made available through the Export-Import Bank, the Development Loan Fund, and other entities of the United States Government, and through the comparatively short-term credits made available through our commercial banks, are greatly contributing to this economic growth and are making their contributions to expanding the markets for our exports. This contribution would be lost and a great potential in our markets abroad for the maintenance, development, and expansion of our own industries would be seriously affected if there should be no extension of the Trade Agreements Act. It is my opinion that H. R. 12591 as passed by the House is an adequate extension of this act, and it should be to the interest of everyone in this country, whether or not directly connected with foreign trade, to support this bill and to exert every effort toward its adoption as law.

The only other verbal comment I have to make is the fact that we feel there are certain important points in our own business and certain examples which I have brought to the attention of this committee from our actual experience, which indicate the desirability of taking action in the production of more dollars abroad.

You have heard General Collins and others here before you mention the Russian encouragement in the economic fields abroad and in Latin America. We have run into some of that, but actually our foreign customers aren't particularly interested in giving full consideration to that phase at the present time.

Nevertheless we feel that this is an important aspect in the background, and we must look out for it. We are in a position as you know to supply our services and equipment from abroad, and we have been obliged in many cases to take advantage of that in order to get the job.

We have in Brazil, for example, built a large ammonia plant involving approximately $18 million, which we had to furnish primarily from France due to the fact that Brazil was short of dollars, and the fact that the French banking groups are very much more liberal in extending credits. That represented lost business to our industries here. You must remember too, if I may call this to your attention, that in all of our installations such as refineries and fertilizer plants, we buy from thousands of vendors in this country.

We buy large items of equipment from heavy industries such as General Electric, Westinghouse, A. O. Smith, and concerns of that sort as well as a great number of miscellaneous parts. In each of our jobs where we had to look to Europe to supply equipment because of dollar shortages, we then had to supply that equipment from European vendors, which is lost business here.

Furthermore, the credit feature is important too because it seems that our European friends are far more liberal in their credits than are our own banking groups or, for that matter, Government groups here.

Consequently, even though the foreign customer would prefer the equipment to be bought from here, for obvious reasons, nevertheless their exchange situation and the credit offers from abroad make it imperative that they look elsewhere.

This harms our industry very much in our opinion. We feel that it might be interesting for you to note that in our own case the expansion of our business abroad has been reflected by a comparable expansion of our business and employment at home. It has similarly contributed to greater business for the many United States companies who furnish us with varied types of equipment needed for installations.

I can give you figures if it were of interest to you, but let me say just briefly that since 1953 to the present time we have almost, but not quite, maintained our domestic export business. We have quadrupled our foreign business, that is the business with our subsidiaries, and we have nearly doubled our domestic business.

We feel that we would have done better with our domestic business, particularly with respect to our export field, if we had had more dollars available to us from abroad, and that is important, Senator Martin, particularly since we have one of our best plants in Mountain Top, Pa., and we would like to expand that plant.

I am only calling these points to your attention at the moment because I am not prepared to get into the technical matters, the Smoot-Hawley Tariff Act or the reciprocal trade agreement.

I just want to say in closing that we feel the extension of the Reciprocal Trade Act is important. We fully support it. We have seen evidences during the last few years of its very good effect upon our own business, and we hope that will continue and we think it should be extended for 5 years, because actually I can't negotiate in South America and abroad unless I can at least assure the client that we are still going to be in business 5 years from now to complete the job. Thank you very much.

The CHAIRMAN. Thank you very much for your statement.

The next witness is Mr. Leo D. Keller, American Institute for Imported Steel, Inc. Be seated, Mr. Keller.

STATEMENT OF LEO D. KELLER, AMERICAN INSTITUTE FOR IMPORTED STEEL, INC.

Mr. KELLER. Honorable Senators, Congress of the United States, Senate Finance Committee, Senator Byrd, chairman, and Senator Martin, my name is Leo D. Keller.

Senator MARTIN. Mr. Chairman, I would like to suggest that the witness just file his statement, which will become a part of our record, and then make a verbal comment.

(The document referred to is as follows:)

STATEMENT OF LEO D. KELLER, PHILADELPHIA, PA.

I am here today to plead in favor of a 5-year extension of the Reciprocal Trade Agreements Act, as provided in H. R. 12591.

I have been in the steel import business for 23 years, excepting prior to World War II when President Roosevelt ordered American boats out of foreign waters and during our subsequent entry into the war when we could not ship. Prior to that, I spent 20 years of my life in steel-consuming industries.

I will not attempt to discuss the general and political value of the reciprocal trade agreement program, for I assume you have all read the statements of the President, the Secretary of State, and others of the administration, and the speeches which Mrs. Luce, Senator Javits, Mr. Charles P. Taft, and many more have made regarding world politics, economics, and trade. I can, however, tell you from my own personal experience, and I cover the ports in Philadelphia and Baltimore, that imports and exports are vitally necessary primarily to us and to the rest of the nations with whom we are friendly.

Starting in January 1936, when we were just beginning to edge out of the depression, selling imports for me was indeed an uphill problem. In those days, those directly concerned here—I mean by that workmen in the shipping industries, the stevedores, workmen, truckmen, etc., were lucky if they got a day or two of work a week. By cooperation over the years, we have built this up to a fairly active business, which redounds to our benefit as well as the nations who ship to us.

A very considerable tonnage of imports, in fact all of my sales, travels on American lines. It is obvious that no steamship company can long exist operating on just one-way traffic because the cost of their crews, the food and operating expenses go on whether or not they are carrying cargo. There are many, many thousands of people, both men and women, in the United States, particularly in the harbor cities, who depend on imports and exports for their economic life.

Today, even though Philadelphia and Baltimore are running very high in import and export tonnage, I doubt seriously from conversations that I have had with the men themselves that they average 4 days' work a week.

To do anything which might tend to lower their hours of labor would be a serious situation for them. I might say here I fully believe so far as labor is concerned, in my experience the amount of work and labor necessary in unloading, transportation, and fabrication of imports and exports is as large or probably more than that required for domestic production.

If we don't put reciprocal trade on a stable basis as national policy, it would certainly hurt our import trade and react on our exports too. Right now, for instance, with the Reciprocal Trade Agreements Act expiring and no new law passed, customers don't know what the future will bring and foreign suppliers write all the time asking what they can plan on for the future. Their own governments don't know because the whole thing depends on the United States. Especially with the European Common Market coming, and the Coal and Steel Community, international trade needs stability. We have to know not just for a year at a time what plans to make. This applies to production schedules, equipment, purchases, transportation, shipping, and everything. As the President said, it may take 4 or 5 years to set up a workable reciprocal trade program with Europe under the new Common Market. If we can't plan that far ahead, either the Common Market won't work and this would help nobody but the Communists, or the Common Market countries will be forced to tend to cut us out. This would hurt us a lot more than them because we export much more than they do.

I am happy to tell you that, having made this international trade my life's work, I shall be glad not only if I can continue in the future, as I have in the past, to earn my own living but also contribute greatly to helping the livelihood of many hundreds of people in my immediate districts, Philadelphia and Baltimore. That takes in the railroad companies and the trucking industry which handle our tonnage, the steamship staff, the checkers, and the stevedores themselves. In addition to that, the customs duties paid to the United States Government over the years, and a lot is in my district, amount to billions of dollars.

We all need to know, the steamship companies, the railroads, the truckers, the stevedores, the warehousemen, the insurers, the banks, the workers, that the reciprocal trade program will continue for as long as we can look ahead. That way we can work and plan and all of us benefit, as well as our friends in Europe.

In closing, I wish to say to you gentlemen, in all sincerity, never a ship docks flying the American flag, with import tonnage on board, and I know there are men waiting anxiously to get working on it, that I don't feel a patriotic thrill. I am now 65, and I hope I have the health to continue and that Government regulations will make it possible, because I realize that when I make a sale a chain of events is set in motion, which starts in Europe and winds up here, where everybody involved in manufacturing, transporting, shipping, selling, and fabricating benefits.

What I have said about my area, I am sure, applies equally to every major ocean port in our country.

Thank you.

Mr. KELLER. I would just add this. We are of course in favor of the extension of the House of Representatives Act 12591 for 5 years to give them an opportunity to get rolling.

Five years goes pretty fast even at that. I am here on behalf of the American Institute for Imported Steel. Directly I am employed by Amerlux Steel Products Corp., of New York, who are the American office of the Luxembourg steel mills.

I do not see how our shipments to the United States can hurt the American steel industry. We produce only 2 percent of the capacity of the United States. Of that 2 percent, never except during the Korean conflict have we exceeded 7 percent shipments of that 2 percent to the United States, which was increased largely at the behest of the United States Government.

We helped a lot of industries out at that time. The duties we pay run into many, many millions of dollars, and in the employment schedule what it means to the men on the waterfront—and incidentally I was there only yesterday, and while this is not in the testimony it might give you a brief idea.

First I would like to say I have heard comments here by other witnesses and questions by the Senators that there would be so much harm done, and the difference in the wage rates and so forth that I would like to state here that the production capacity of Europe is nowhere near as fast as it is in the United States, No. 1.

Here is an indication of what is going right today. This was as late as yesterday. This is on the docks now in Philadelphia ready to go out: Cloth, oil in large drums, lubricating oil and greases in small drums, canned goods, insecticides. There were about 20 large hay balers, a lot of machinery boxed up going to Germany, several lift trucks and chemicals from Du Pont.

Coming in was some steel which I had, chemicals, ores, bicycles, hams from Holland, burlap cloth which I understand is not made in the United States, it is a rough cloth, wood pulp, and napthalene. That, gentlemen, concludes what I have to say, and I thank you for the privilege of appearing before you. Thank you.

The CHAIRMAN. The next witness is Mr. Richard England, of the Heckinger Co., of Washington, D.C.

Senator MARTIN. Mr. Chairman, I would like to suggest to the witness that if he would be willing to file his statement with the committee and then make a brief comment, the Senate is already in session.

(The statement referred to is as follows:)

STATEMENT BY RICHARD ENGLAND, PARTNER AND GENERAL MERCHANDISE MANAGER OF HECHINGER CO., WASHINGTON, D.C.

My name is Richard England, and I am a partner and general merchandise manager of Hechinger Co., Washington, D. C. I am here in support of H. R. 12591.

My company operates seven building-material supermarkets, catering to the homeowner who does his own work. Our stores are located in the suburbs of Washington. Many of our several hundred employees are residents of Maryland, and more than half of our business is done in the suburban areas outside the District of Columbia. I am supporting H. R. 12591, as passed by the House of Representatives, for two very important reasons. The first is that the bill carries no amendments imposing import quotas on specific commodities. While the bulk of our business is in products made up of American materials by American manufacturers, we do sell a considerable amount of imported goods, particularly flush doors made with lauan mahogany door skins imported from Japan and plywood panels made with Japanese plywood. Any barrier to our supply of these materials by means of an import quota would not only seriously affect our sales, but would also deprive our customers of an item which many of them purchase in large quantities.

As you are well aware, the building industry has suffered during the last few years, both in the manufacturing end and the retail end, as well. The acceptance by the average American homeowner of lauan mahogany doors and Japanese plywood panels has greatly stimulated our business in an otherwise declining era.

I can tell you, as the general merchandise manager of our concern, that it is most helpful to have an item on our shelves which is in constant and increasing demand, particularly in a recession period.

We find that having imported plywood products available for sale stimulates business in many other departments of our stores. For instance, with almost every sale of mahogany plywood we sell considerable framing lumber, floor tile, insulating ceiling tile, hardware, nails, paint, etc. With a typical sale of flush doors, we either sell sliding-door hardware, hinges, and latches or, if the door is to be made into a piece of furniture, we sell various types of metal or wood legs to convert the door into a coffee table, dining table, desk, etc.

Ninety-nine percent of all the other products we sell in connection with the sale of imported plywood are manufactured in the United States. In this connection, may I point out that for many years we have tried to arouse a large-scale demand by homeowners for flush doors made with door skins of American-origin and American-made hardwood plywood. Japanese plywood and doors are so much cheaper and, in so many cases, so much more beautiful, that the latter have sold and the former simply have not. We pride ourselves on being good merchants, and a good merchant gives the public what it wants.

This situation is not unique with the Hechinger Co., as many retail building material and hardware dealers throughout the country have found the same situation existing in their businesses. For intance, Mr. E. F. Davis, Jr., vice president of the Davis Plywood Corp., of Cleveland, Ohio, expresses his views in a recent letter as follows, and I quote:

"Contrary to all propaganda against foreign plywood, we have sold more American hardwood since the introduction of foreign woods.

"Imports are cheaper than most American hardwoods, but the interest aroused in the buying public in the possibilities of genuine wood paneling, has brought about many new sales in our more expensive American material. Purchasers have discovered that in many cases, United States-produced woods in other species can be obtained for surprisingly little more cost.

"We are positive that our purchases of United States hardwoods would be greatly reduced and our sales would suffer a tremendous blow if we could not purchase foreign woods."

My second reason for supporting H. R. 12591 is because the 5-year extension of the act will enable my firm to operate in an era of stability insofar as the United States Government's position on international trade is concerned. Nothing is more frustrating to a merchant than to try and plan a sales campaign based on the sale of imported goods if there is any uncertainty that the supply of these goods will be affected by United States Government policy. A 5-year extension of the Trade Agreements Act will enable my firm and thousands of other companies selling imported products to the American home to plan with confidence to offer the American consumer increasingly attractive items from our friends abroad. Most of us are prone to discuss economic issues, such as the hardwood-plywood situation, in terms of the effects of quotas on the plywood industry or the workers in that industry. We all overlook, sometimes, the effect of legislative action on the forgotten man—the American consumer. If the American consumer wishes to buy Swiss watches or French perfume or Scotch whisky or British woolens or Japanese flush doors, he should be permitted to do so in a market which is stable and assured.

Therefore, on behalf of my business and on behalf of the American consumer, I urge you to report out H. R. 12591 without any amendments imposing import quotas on specific commodities and with the 5-year-extension provision of the bill intact.

STATEMENT OF RICHARD ENGLAND, PARTNER AND GENERAL MERCHANDISE MANAGER, HECHINGER CO., WASHINGTON, D. C.

Mr. ENGLAND. Before beginning, I should like to amend one statement that is at the beginning of my prepared statement. It states here that I am here in support of H. R. 12591. I am not qualified to say that I am in full support of that measure, because I have never had an opportunity to read it, and I would prefer to state that I am here on behalf of one aspect endorsed by those supporting the bill.

Basically, I am a lumberman operating in the Greater Washington area, and I am familiar with a couple of products which I should hate to see cut off from import.

The two products concerned are lauan mahogany plywood, imported from Japan largely, and door skins, which are an integral part of a flush door and are imported from the same country.

I would like to just state a bit of personal history. I built my own home here in Washington in 1950. I became, as the result of building my own home, very interested in flush doors, which were relatively new at that time, and hardwood plywood. I did considerable research, personally, into the problem in order to be very up to date on the subject.

Senator MARTIN. Mr. Chairman, would you excuse me? I just got a note that they are considering the conference on the authorization of rivers and harbors, and I am one of the conferees, and I am awfully sorry, but I will read your statement with great interest.

Mr. ENGLAND. Certainly. I shall try to be as brief as I can. I should like to state that, as a result of the information I found out when I built my own home, I became very familiar with hardwood plywood. Approximately 2 or 3 years after I completed the home, around 1953 or 1954, Japanese plywood began to come into this country in fairly substantial quantities, both in the form of wallboard panels and in the form of doorskins for making flush doors.

If I had waited 4 years to build my house, I would have saved $200 or $300 on the cost of the doors alone, and I would have had something that was practically unobtainable at the time, doors made of Japanese lauan mahogany plywood, which is really something beautiful. They are sold at a price which makes them within the reach of the average American homeowner.

The end result is that cutting off the importation of the doors and the plywood would virtually raise the cost of the average American home by $50, $100, or $150, depending on the style involved.

Another interesting aspect—I am being personal, but it really is relevant—another interesting aspect of my personal experience is that I had a couple of doors left over when I built my house. I didn't know what to do with them. They were gorgeous-looking walnut doors.

I thought of the idea of finishing them and turning them into coffee tables. The legs alone cost $50 to make at that time. They were fabricated out of solid walnut.

There were no prefabricated legs available on the market anywhere in this country as far as I know at that time. We conceived the idea in our company of having legs made on a mass production basis in this country so that doors could be made into furniture, and as a result of that the idea spread, and thousands and thousands of doors are converted into tables and desks and all kinds of pieces of furniture. And the fact that lauan mahogany doors are available has made these doors available for the average consumer. Prior to 1951 or 1952 beautiful hardwood doors were a matter of luxury available only to the most wealthy.

You must understand the overall nature of our business. Doors are a very small part of our business. Mahogany plywood is a very small part of our business. But having a beautiful low-cost product such as those two represent enables us to sell a very greatly increased quantity of all sorts of products, over 99 percent of which are manufactured in this country.

I have a great many manufacturers as business friends and personal friends, and I certainly don't want to go on record as for or against the bill as such. I simply want to state that imported products such as these two products—and I have a couple here which I would like to show, Senator Byrd—are of considerable interest I believe.

Here is a panel—I haven't seen this myself. I have just returned to town. This was prepared for me in our carpentry shop.

Here is a sample of the V-groove mahogany plywood. In the section nearest me, you have the unfinished plywood as we buy it.

In the middle section is a panel finished with one coat of white firzite which is manufactured and sold by the United States Plywood Corp., and on the end is a panel finished with one coat of Satin Lac.

Those are, I think, beautifully finished, and the American public has really gone for them. We have sold tens of thousands of sheets locally in Washington.

The CHAIRMAN. Was that imported?

Mr. ENGLAND. Not the finishes. The plywood was; yes. This is a full 4-foot width of panel commonly used in recreation rooms.

The next exhibit is a little hard to handle. This is an actual door, and I will lift it up. I want to show you something about it. The idea that I told you about that I got for my house was getting these legs made in mass production. You see here three different styles of legs: iron, brass, and wood, and by using these and taping the edges—this door has not been taped on the edges. By using tape which is sold by the United States Plywood Corp, you get for around $15, including the price of the finish, a coffee table that, in a furniture store would cost maybe $50 to $100—a very beautiful piece of furniture.

I will say just this: We were very skeptical about buying both the plywood and the flush doors made of the plywood, and we went into great detail examining the quality of the glue, and so forth. The quality of these products is excellent. We have handled them for several years now, and they have really held up well and we have had practically no complaints. I don't know of any.

In the merchandising business, which I am basically in, a small amount of imported items perks up your whole business. Department stores all over the country have had great success with import fairs where they have featured all kinds of imported items in all departments as a sales promotion, and it has helped their sales.

Very directly, having our business better means that our several hundred employees fare better, and that directly affects the welfare of the surrounding area. The fact that these products are available at a relatively low cost encourages remodeling, keeps down the cost of housing, and basically enables a thing of real beauty to be available to the American public at a reasonable price.

Fairly equal substitutes, if the supply of these products was cut off, would be practically unavailable at a reasonable price, to the average American workingman. He would have to use materials that were pure imitations, wallboard that is covered with paper, lithographed, imitations of wood. He would have to buy plain wallboard and paint it.

The average American consumer simply won't get the beauty of genuine mahogany paneling at a low cost unless the importation of these two products is permitted to continue. Also I predict that the whole door market will go way up. I think the door market is down to approximately 50 percent in price of what it was in 1949 and 1950 due to this thing. So the American public is going to be better off if these two products are permitted to come in.

That concludes my remarks. Thank you.

The CHAIRMAN. Thank you, sir.

The committee will adjourn until 10 o'clock tomorrow morning.

(By direction of the chairman, the following is made a part of the record:)

BOZEMAN CHAMBER OF COMMERCE,
Bozeman, Mont., June 3, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR MR. BYRD: The board of directors of the Bozeman Chamber of Commerce has carefully considered the resolutions made by the national affairs committee of this chamber and feels that immediate action is necessary.

Therefore, we have taken the action recommended by this committee and unanimously endorse the following resolutions concerning the reciprocal-trade program now before Congress:

I. *Resolved*, That this committee endorse the 5-year extension of the reciprocal trade program as proposed by President Eisenhower, and strongly urges that the Reciprocal Trade Act be passed as reported from the House Ways and Means Committee without further crippling amendments.

II. *Resolved*, That our position be communicated to all members of the Montana congressional delegation, the congressional committee chairmen directly considering the legislation, and who may serve in conference and to the foreign commerce department of the Chamber of Commerce of the United States.

Sincerely,

DR. ARNOLD R. KIESSE, *President.*

TESTIMONY PRESENTED ON BEHALF OF THE WASHINGTON BOARD OF TRADE IN SUPPORT OF H. R. 12591, BY HOWARD C. DRAKE, PRESIDENT, WASHINGTON BOARD OF TRADE, WASHINGTON, D. C.

On June 7, 1954, upon the recommendation of the World Trade Committee, the Washington Board of Trade adopted a policy urging the extension of the period during which the President is authorized to enter into foreign trade agreements under section 350 of the Trade Act, as amended. That policy still stands.

There is a great deal of evidence that, far from threatening the American economy a policy of gradually freeing world trade from governmental restrictions is essential to its continued health and growth. Our exporting industry represents a vital and expanding segment of our economy. Yet as economic aid dwindles the volume of our exports tends to be become exclusively dependent upon the volume of our imports. Without economic aid foreign countries must earn dollars in the United States market in order to buy United States goods.

We are faced with a simple series of logical choices. To hold our exports even, we must hold both aid and imports even. To expand exports we must increase either aid or imports or both. To expand exports and reduce aid we must boost imports by the sum of the increase in exports and the decrease in aid.

At the same time, our economy as it expands inevitably will need increasing amounts of foreign raw materials to keep running. It cannot be assured of getting them in the absence of an orderly and stable free world trading system, the creation of which is dependent upon extension of the Trade Agreements Act.

Today, all the great powers of the free world, thanks to American economic aid, are restored economically to levels of production in excess of the prewar period; and today, their economic productive capacity has the potential of supplying a larger share of the costs of defending the free world. But these countries, while contributing an increasing share of the burden of mutual defense, still rely on the United States to provide the lion's share. This is in large measure the result of political decisions which restrict the expansion of economic wealth and confine it within the borders of countries.

The full development of the free world's economic resources continues to be severely handicapped by the legal and political barriers of an earlier era, barriers that isolate economies within national boundaries when they should be integrated into a productive free world unit. As a consequence, the richest of this family of free nations, the United States, bears a disproportionate share of the burden of assuring the prosperity and safety of the free world.

Full utilization of free-world resources: To carry out the strategic policy of the United States for the political and military cooperation of the free world, the American people have the choice of continuing to shoulder this burden, as at present, or of promoting foreign economic development so that the people of foreign countries can pay their own way.

The responsibility of all countries, especially the United States, in keeping the peace and in improving decent living conditions, could be made less onerous by a more efficient utilization of the economic resources available to the free world. Without exception, all countries would gain, through an expansion in the total economy, in the capacity to produce goods, employ labor, and pay taxes.

Trade barriers are also undesirable for the reason that they tend to compartmentalize economies within national boundaries, depriving them of the healthful benefits of international competition. Foreign goods allowed to compete fairly with goods of domestic manufacture not only supply much-needed foreign currencies but also stimulate the improvement of technology both in the exporting and importing country. We have been fortunate in the United States because competition has prevailed among our companies. In many foreign nations where domestic competition is highly restricted, protective tariffs tends to give the national firms a virtual franchise, protecting them against the competition of more efficient foreign concerns.

Such protection encourages neglect of technological improvement, higher prices, lower wages, restricted sales, and, consequently, less contribution to the nation and the free-world community. If we fix high tariffs on foreign goods we must expect other countries to pursue the same policy. A full utilization of the world's resources cannot be achieved with legal and political barriers restricting the international flow of trade, capital, and technology.

The efficiency of American companies is ample assurance that they have little to fear from the importation of foreign goods. But, American goods exported abroad can contribute much to the development of foreign technology and progressive enterprise.

It just doesn't make sense for the American people to spend billions of dollars to build up the economies of its allies and then refuse to accept the products of those economies. It can be dangerous, too, as some of our exporters are finding out. For our allies will sell their goods somewhere—they must trade to live. The first place they look is in the free-world markets outside the United States. Many of these countries are short of dollars because of our failure to buy enough of their goods and they become eager customers for subsidized European and Japanese exports. This hurts our exports to third markets and if carried far enough could gradually isolate us from the economic bloodstream of the free world.

As we see it, the aim of the President's foreign economic program is to create a framework for the free-world economy within which it can expand by gradually freeing itself from artificial uneconomic restrictions. Now the British did this in the 19th century with gunboats and whiffs of grapeshot which enforced a free, stable international trading system upon the world run by the city of London. It can't be done that way today. But we are trying to reach the same objectives through voluntary international cooperation to reduce arbitrary governmental restraints upon the movement of goods, people, money, and know-how.

This fragile network of international cooperation is embodied in three international organizations—the International Monetary Fund, the World Bank, and the General Agreement on Tariffs and Trade. Their joint task is to set up agreed standards of trade, monetary, and an investment practice within which the free-world economy can function on an orderly and predictable basis.

A predictable United States tariff policy is essential to any lasting international economic cooperation.

The United States has as much, if not more, to gain from more trade than other countries. After all, we have the surplus of capital to invest, a greatly productive industry and agriculture which, operating at full capacity and employment, produces a surplus for export. Moreover, military considerations dictate that to protect ourselves, we must protect the outposts of the free world.

We have then, the choice of fencing our economy in and burdening the American people to subsidize our exports and to carry the major part of the costs of free-world defense, or of trading with the free-world countries on a businesslike basis so that they can pay for their purchases from the United States and can pay their share of mutual defense against Soviet imperialism.

The Washington Board of Trade, and its over 7,000 members, appreciates this opportunity to go on record as supporting the above-mentioned bill, H. R. 12591. We feel that its passage is necessary for our economic well-being and that of the free world.

CUSTOMS BROKERS & FORWARDERS ASSOCIATION OF AMERICA, INC.,
New York, N. Y., June 16, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR BYRD: This association wishes to go on record with your committee as favoring the continuation of the reciprocal trade agreements program for a further period of 5 years.

This association consists of approximately 550 customhouse brokers and foreign freight forwarders, located at every principal port in the United States and some abroad. A booklet showing our membership is enclosed herewith.

The customhouse brokers, representing the importers, are the first to service the imported merchandise through the United States Customs, and as forwarders, they are the last to service shipments being exported from the United States.

While this association does not specifically concern itself with the rate of duty on any particular article, whether it be a high rate or a low rate, it is very definitely concerned with any legislation or policy which has a tendency to affect the foreign trade of the United States. In our experience, we are of the opinion that the reciprocal trade agreements program has fostered the foreign commerce of the United States in both directions, and we believe an abandonment of it at this time would definitely adversely affect this foreign commerce, which of course in turn would seriously affect our domestic economy, since it is well known that the export commerce is of great value to business and labor in the United States, and the import commerce is of great value to our friends and allies.

At a membership meeting of this association, held on February 20, 1958, it was voted that this association place itself on record with your committee as being fully in accord with the extension of the reciprocal trade agreements program, and we ask that this letter be entered into the record of the hearings currently taking place.

Yours very truly,

MARTIN A. KERNER, *President.*

STATEMENT OF HARRY A. BULLIS, CHAIRMAN OF THE BOARD, GENERAL MILLS, INC., MINNEAPOLIS, MINN.

I believe that the extension of the Trade Agreements Act for another 5 years is essential in the best interests of the American people, the general health of our economy, and world peace.

In this age of technological progress, no nation can be entirely self-sufficient. The United States is dependent on foreign sources for many essential materials.

The nations which are allied with us and those where we hope to develop friendly support are dependent upon trade to strengthen their economies.

The value of sound foreign-trade policies is well illustrated by the spectacular economic recovery of West Germany. By freeing her trade more and more and exposing her industry to international competition, Germany has built up her economic and financial strength.

We have only to look back to the period following the enactment of the Tariff Act of 1930 to realize that restricting our imports in a period of recession makes certain the spread of recession around the world. Uncertainty in our trade policies in this period of mild recession would lead to reduction in our foreign trade. Smaller imports would create hardship for our trading partners abroad and smaller exports would reduce production and add to unemployment in this country.

In this connection it is well to keep in mind certain fundamentals: (1) trade is a two-sided matter which helps both seller and buyer; (2) foreign trade today has far-reaching political and military meaning as well as its commercial and economic side; (3) many of our allies must have foreign trade to survive, reducing our trade with them is practically inviting them to increase their trade with the Communist world; (4) increased export trade is needed to keep our own economy strong by furnishing outlets for surplus productive capacity, both agricultural and industrial. This is particularly true of our durable goods production where we are especially efficient and where the present recession is largely concentrated.

We are trying to demonstrate to the world the superiority of our free-enterprise system. It is a system which thrives on competition that requires ever-increasing efficiency for industrial survival. In this competitive world we cannot afford to be less efficient than our competitors abroad. Failure to extend the Reciprocal Trade Agreements Act would be an admission that we are unprepared to meet the challenge of foreign competition.

Unless we continue the policies of the reciprocal trade agreements program and our efforts to enlarge both our imports and exports, our foreign trade will deteriorate. In that event the economies of many nations of the free world would be weakened unless, in the interests of world peace, we increase our foreign aid to compensate.

It seems clear that the wise course is to extend the Reciprocal Trade Agreements Act.

AMERICAN RADIATOR & STANDARD SANITARY CORP.,
New York, N. Y., June 16, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

MY DEAR SENATOR BYRD: Although it will not be possible for me personally to appear at hearings which, I note, are to be held beginning June 23, on the bill to extend the reciprocal trade program, I want by this letter to record with you our support for this legislation.

Progressive steps to lower existing barriers to international trade, whether they are in the form of tariffs or quota restrictions, are essential to further the long-range interests of this country, as well as the rest of the world. Despite the temporary dislocations which occur and the adjustments which are necessary for particular plants and industries—and we are perhaps more aware of some of these problems than others—the goal of maximum production by the world economy can only be achieved if production from the most economical sources is given free access to world markets. With development of the economies of other countries, disparities in labor costs will lessen. Dangers to our economy from too abrupt changes in tariff levels are adequately safeguarded against by the proposed escape provisions.

We urge favorable action on the pending bill as a sound forward step which will lessen economic tensions, promote general well-being, and serve the cause of world peace.

Very truly yours,

JOSEPH A. GRAZIER.

CALIFORNIA TEXAS OIL CO., LTD.,
New York, N. Y., June 18, 1958.

Hon. HARRY F. BYRD,
Chairman, Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SIR: Our attention has been directed to the hearings now being held by your committee on the extension of the Reciprocal Trade Agreements Act.

California Texas Corp. is an American company, the stock of which is owned by the Standard Oil Company of California and the Texas Co. Our work involves us directly in the mainstreams of international trade. Some of our subsidiaries and affiliates have been operating in this trade for more than 50 years.

In our opinion, our country's prosperity, position, and leadership in world affairs and its security can be materially advanced by a further growth of world trade or, alternatively, seriously impaired by world trade curtailment. The active encouragement of world trade seems especially important under the uncertain conditions existing today. For these reasons favorable action at this time by the Congress on the extension of the Reciprocal Trade Agreements Act without crippling amendment seems to us essential to the welfare of the United States.

UNITED STATES PROSPERITY

The prosperity of a large segment of United States industry and agriculture is dependent on export markets for United States goods. For the most part such exports are paid for by the purchasing countries with dollars earned by them through supplying imports into the United States. Thus, imports from other countries have made possible exports from the United States which have grown from less than $10 billion in 1950 to more than $19 billion in 1957, excluding military supplies. The jobs of some 4,600,000 Americans are estimated by the United States Department of Commerce to be dependent on United States export trade.

Among the many sectors of United States industry and agriculture for which exports are important, are the following, according to the latest available information from United States Government sources:

Percentages of United States domestic production of various commodities which were exported during period January to September 1957

	Percent
Foodstuffs:	
Wheat	54
Rice	70
Soybeans	30
Other agriculture:	
Raw cotton	50
Cattle hides	24
Raw materials:	
Soft coal	16
Hard coal	18
Machinery:	
Industrial trucks and tractors	35
Machine tools	16
Transport equipment:	
Civil aircraft	30
Locomotives	34
Motor trucks and buses	19

The prosperity of another important segment of United States industry is directly dependent on imports of foreign goods. In some cases raw materials needed by United States industry are not sufficiently available in the United States. In many other cases, imports give United States producers of both capital and consumer goods a supplementary choice of supplies which assists them in minimizing costs, improving quality, or better serving the American consumer in other ways.

UNITED STATES POSITION AND LEADERSHIP

Constructive leadership by the United States in the field of international trade seems vital at the present moment in which the general economic state of the free world is one of uncertain balance between recession and further progress.

Under these conditions, the direction of the next major movement in the economics of the free world will clearly be affected by actions of the United States in the field of foreign trade that promote or alternatively upset their stability and prosperity. That this stability and prosperity are in a state of delicate equilibrium at the present time is indicated by such basic facts as that 40 to 50 percent of world trade is transacted in sterling currency which is backed by only 4 percent of the world's exchange reserves. Obviously, a reversal in the trade policy of the United States such as failure to extend the Reciprocal Trade Agreements Act, could administer a shock to this stability which could upset world trade and thus have far-reaching consequences on the prosperity of the United States.

In the particular case of Europe, decisions taken by the United States Government this year in the field of international trade policy may well determine the ability of United States exporters to sell American goods in Europe for many years to come. The recent establishment of a European Common Market gives its six member countries a trading area with a population about equal to that of the United States. This area will hereafter negotiate as a unit its tariff arrangements with nonmember countries and whether it will choose to reduce its restrictions on imports from the United States will depend largely on the liberality of our own trade policy. We can favorably influence this choice and thus foster the acceptance of American goods in the European Common Market by constructive leadership in maintaining and advancing the liberalization of our own trade by positive actions such as the renewal of the Reciprocal Trade Agreements Act.

UNITED STATES SECURITY

Constructive action by the United States in the field of international trade seems required also from the standpoint of the security of the United States. By agreements with 80 foreign nations, the United States is committed to a system of collective security. Every step we take that permits our allies to earn their own way, strengthens our allies, and thereby bolsters our joint security. A policy of restrictive, so-called trade protectionism is in basic conflict with the security of the United States.

Caltex's own experience illustrates how freedom of trade fosters the security of the United States in still another way. The considerable freedom from import restrictions on the growth of our trade and corresponding facilities which we have enjoyed in the Eastern Hemisphere has made it possible and practical for us to develop very large supplies of strategically situated petroleum products which have been availalbe on call by the military forces of the United States in case of emergency. These supplies served United States and allied forces well in the Second World War and in the Korean war.

CONCLUSION

In conclusion, may we direct your attention to the statement of the desirable direction for American trade policy given by President Eisenhower 4 years ago in his message to Congress on foreign economic policy when he said:

"* * * The national interest in the field of foreign economic policy is clear. It is to obtain in a manner that is consistent with our national security and profitable and equitable for all, the highest possible level of trade and the most efficient use of capital and resources. * * * The solution is a higher level of two-way trade."

From our observations and experience in international trade we have no hesitation in supporting in the strongest terms the renewal and strengthening of the Reciprocal Trade Agreements Act by the Congress in a form that will permit it effectively to achieve its objectives. We feel sure that without such action the role of the United States in the promotion of freedom through the removal of restrictions on international trade would be greatly handicapped.

Yours very truly,

W. F. BRAMSTEDT,
Chairman of the Board of Directors.

THE BLACK & DECKER MANUFACTURING CO.,
Towson, Md., June 17, 1958.

Senator HARRY F. BYRD,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: We strongly recommend a 5-year extension of the Reciprocal Trade Agreements Act, as requested by President Eisenhower.

As an exporter and overseas investor with a great stake in United States legislation affecting foreign commerce, we were happy to note the overwhelming majority with which the House recently approved the trade bill. We sincerely hope that the Senate will likewise extend the Reciprocal Trade Agreements Act without any crippling amendments.

We favor a 5-year extension of the Trade Agreements Act in order to give the administration the authority to prepare for and enter into negotiations with the developing European Common Market. We also support the 5-year extension because it will give increased stability to our foreign-trade policies.

We are particularly interested in the extension of the Trade Agreements Act for three reasons.

First, as an exporter, we ship our products from our main factories in Maryland to over 112 foreign markets. Many of our workers in Maryland depend upon these exports for their employment.

Secondly, as an extensive overseas investor, we are vitally affected by actions which our Government takes which encourage more liberal international trade and investment policies. Protectionistic amendments to the Reciprocal Trade Agreements Act will stimulate economic nationalism and protectionism in other countries. If these tendencies increased, we believe we would be handicapped in realizing our growth opportunities overseas.

Finally, as an American company and as citizens, we hope that our Government will take steps to strengthen trade and investment bonds with the rest of the free world. In this critical period, it is particularly important to foster economic cooperation with other free countries. A 5-year extension of the Reciprocal Trade Agreements Act would be a major step in this direction.

Sincerely,

ROBERT D. BLACK, *President.*

RAYMOND INTERNATIONAL, INC.,
New York, N. Y., June 16, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR MR. CHAIRMAN: As vice president in charge of operations abroad, I am vitally interested in supporting the Trade Agreements Extension Act now before the committee. Raymond operates overseas as a general contractor and undertakes all types of construction. The company ranks among the Nation's top overseas construction firms, and has completed a wide variety of jobs in many parts of the world. Last year, Raymond's wholly subsidiaries were active in 25 countries on 330 contracts. Areas of major activity are Spain, Turkey, Cuba, Canada, Puerto Rico, Thailand, Venezuela, Brazil, and Colombia.

The scope and volume of our work abroad has increased sharply in recent years. Volume has quadrupled in the last 10 years, and last year, for the first time in Raymond's history, income from overseas work accounted for more than half of total net earnings.

Because of Raymond's broad international interests, I speak from considerable experience in commercial and economic relations with the rest of the world. I should say first that I wish to support an extension of the Trade Agreements Act for a sufficient period of time—certainly not less than 5 years—with authority delegated to the President for tariff reduction adequate to the needs of a steadily expanding economy and, finally, an extension free of amendments calculated to weaken or frustrate the basic purposes for which the act is intended.

Our company is one of many American organizations that are exporting American know-how and services. We feel the exportation of these two valuable commodities is no less important than the exportation of the more usual trade commodities. It has been our universal experience, when operating abroad, that any obstacles of trade, however indirect, tend to make it more difficult for us to, first, reach an agreement with our foreign client on work which we may perform and, secondly, to perform that service once the contract has been concluded.

The American construction industry operating abroad does not work on a subsidized basis. On the contrary, we are in constant competition with foreign firms whose costs of operation are considerably less than our own. The American construction industry operating overseas, in fact, operates on a practically free-trade basis. The fact that it can do so successfully is an indication of the ability to compete with its foreign competitors in spite of their advantage in lower overhead costs.

We feel the maintenance of as broad a base of international trade as possible is essential to our industry, as well as the general well-being of our country. The Trade Agreements Extension Act is a step in this direction, and we recommend its favorable action by your committee.

Yours very truly,

H. C. BOSCHEN.

SEATRAIN LINES, INC.,
New York, N. Y., June 10, 1958.

Hon. HARRY S. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR BYRD: With respect to the hearings which your committee is currently holding on the proposed extension of the Trade Agreements Act for a period of 5 years, I should like to indicate by this letter my earnest support for enactment.

I am taking the liberty of enclosing a copy of the letter which I addressed last March to the Honorable Wilbur D. Mills, chairman of the House Ways and Means Committee, setting forth my views in this matter, and I respectfully request that it be made a part of the record of your committee's hearings.

Sincerely yours,

JOHN L. WELLER.

SEATRAIN LINES, INC.,
New York, N. Y., March 20, 1958.

Hon. WILBUR D. MILLS,
Chairman, House Ways and Means Committee,
Washington, D. C.

DEAR MR. MILLS: The purpose of this letter is to indicate my support for the extension of the Trade Agreements Act for a period of 5 years, and continuing authority to the President for tariff reductions as proposed in H. R. 10368, which your committee has under consideration.

I am sure that others more directly concerned than myself in international trade and affairs will have furnished your committee with all the necessary data revealing the importance of our exports to the American economy, and of the Trade Agreements Act to our foreign relations. Therefore, I shall not attempt to repeat these statistics, except to point out that I believe there are presently about 4½ million American workers employed in activities directly related to exports.

My particular concern is with the present status of the American economy; it is passing through a period of recession which all of us hope will be brief in duration and mild in intensity. We hope that the changes in our social and economic structure which have taken place in the last 20 years or more will serve to prevent this or any similar recession deepening into a serious depression of the type which occurred in the 1930's. This will be a vain hope if we repeat the errors which brought about the worldwide stagnation of trade in that period.

Those of us who are old enough remember all too keenly the great depression, which began 12 years after the end of World War I. It was precipitated in large part by two factors: the cessation of American investments abroad, and the Hawley-Smoot Tariff of 1930, which effectively choked the flow of imports and exports. Today, 12 years after World War II, our foreign trade is a much more important factor than it was then, and any indication of a disposition by the United States once more to shut off foreign trade and investment would have even more serious consequences than such a disposition had then.

In addition, therefore, to the arguments which will be made to your committee concerning the effect of the Trade Agreements Act on our foreign relations or on specialized groups in our Nation, I wish to urge upon your committee that you consider carefully the affirmative value which an extension of this act would have for the immediate welfare and prosperity of the United States; and conversely, the dangers posed by any decision to restrict our foreign trade, particularly at this time.

I should appreciate having this letter included among the records of the hearing for the consideration of the committee.

Sincerely yours,

JOHN L. WELLER.

PORT OF OAKLAND, BOARD OF PORT COMMISSIONERS,
Oakland, Calif., June 17, 1958.

Hon. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee, Washington, D. C.

DEAR SENATOR BYRD: On March 8, 1958, the board of port commissioners of the city of Oakland passed resolution No. 11138, endorsing and supporting renewal of the Reciprocal Trade Agreements Act. A copy of this resolution is attached.

As it will be impossible for a representative of the port of Oakland to appear before your committee, we wish to make our views known and urge your committee's approval of legislation which will extend the Reciprocal Trade Agreements Act in the form already approved by the House of Representatives.

Sincerely,

DUDLEY W. FROST, *Executive Director.*

BOARD OF PORT COMMISSIONERS, CITY OF OAKLAND

RESOLUTION No. 11138

Resolution endorsing and supporting renewal of Reciprocal Trade Agreements Act

Whereas the Reciprocal Trade Agreements Act first enacted in 1934 has been instrumental in promoting international trade and has resulted in progress and prosperity in our own and in friendly nations; Now therefore, be it

Resolved, That the Board of Port Commissioners does hereby endorse and support legislation extending the Reciprocal Trade Agreements Act beyond its present expiration on June 30, 1958.

At a regular meeting held March 8, 1958, passed by the following vote:

Ayes: Commissioners Estep, Hansen, Levy, Tulloch, and President Galliano (5).

Noes: None.

Absent: None.

STATEMENT BY WARREN LEE PIERSON, CHAIRMAN, TRANS WORLD AIRLINES, INC., NEW YORK, N. Y.

Any American businessman who has taken the time to consider the matter knows that this Nation needs foreign markets just as much as it needs the goods which we buy abroad. Virtually every American industry sells some part of the goods it produces abroad. American agricultural producers are, if anything, even more dependent on foreign markets. To name only a few, chemicals, autos, agricultural machinery, textile machinery, and electrical machinery are all industries which export in substantial quantity. Soft coal and certain petroleum products, particularly lubricating oils, are finding increasingly profitable markets abroad. In the field of agriculture a large portion of such staples as wheat, cotton, and tobacco are exported, as well as more special products such as apples, dry whole milk, inedible tallow, and grease, dried peas, and many others.

This country also needs a large and growing variety of goods from other countries. The story of the raw materials which we must import to keep our factories running is well known. Although less has been said about the manufactured goods which we need to import, they are also necessary to the working of our economy. In war and peace the United States has benefited from imports in such fields as electronics, specialized industrial machinery, aircraft engines, and other commodities. Their importation has not only been of direct benefit, but they have also stimulated and inspired new and better products in this country. It is a truism in business that success depends in large part on being able to predict the demands of the market. In modern dynamic economies there are so many economic factors at work that such prediction is extremely hard. When governments, including our own, add to the problems of the businessman by uncertainty in laws or regulations, the difficulties become very great.

In recent years the foreign trade policy of the United States has been decidedly uncertain. The present bill is the fifth renewal of the Trade Agreements Act just since 1951. Several of these renewals have involved important changes which significantly affect business operations. Furthermore, provisions have been written into the act which themselves make the conditions for doing business uncertain. The escape clause, in particular, is a real obstacle since it always poses the threat that imports will be restricted just at the moment when the effort of developing a market in the United States has become profitable.

It is hard enough for American businessmen to keep up with these changes with all the resources we have to obtain information on United States laws and regulations. The problems these continual changes create for foreign businessmen are even greater. Yet these foreign businessmen are our customers and our suppliers. Unless they can do business profitably with us, we will not be able to do business profitably with them.

The only conclusion which can be drawn from this is that the present bill to extend the Reciprocal Trade Agreements Act should be enacted without any other amendments to weaken it. The many safeguards which have been written into the act give domestic producers ample protection. If they are given any further protection it can only be at the expense of the much larger section of the American business community which is engaged in one form or another of international business. It is also important that the act should be extended for 5 years so that there will be more stability in this field.

June 23, 1958.

Senator Harry Flood Byrd,
Chairman, Finance Committee
Senate Office Building, Washington, D. C.

My Dear Senator Byrd: I wish to file this statement favoring the 5-year extension of the Reciprocal Trade Agreements Act without crippling amendments.

Because of the Soviet economic offensive around the world, the 5-year tariff reduction program of the newly formed European Common Market, and our own economic recession I feel it more than ever important that the act be extended, that the President's final authority with the best interest of the total nation in mind be not impaired.

After careful study of two reports on the effect of foreign trade on New Jersey, I am convinced that the reciprocal trade agreements extension is essential to the wellbeing of our State. Both of our Senators have agreed with the findings of these reports.

The recent survey made by the League of Women Voters of New Jersey found that a large majority of our manufacturers have a direct interest in foreign trade. Our State is the Nation's sixth industrial producer.

According to a census of manufacturers made by the Department of Commerce, our 8 principal industries employ approximately 555,000 workers, accounting for about 70 percent of all manufacturing jobs in the State, and over 27 percent of all jobs in New Jersey. The study conservatively estimates that the export trades of these 8 industries provides full-time jobs for at least 83,400 workers.

In order that we may help to strengthen the economic status of our friends and allies I urge the Senate Finance Committee to report the Trade Agreements Act out without crippling amendments, and for a 5-year period. In fact, altho the present bill is acceptable to me, I have been disappointed that it is not stronger. Any further weakening of the bill would be disastrous to our own economy and to our already too impaired relations with other nations whose good will and cooperation we sorely need.

Sincerely,

Mr. George B. Martin.

BROOKLYN HEIGHTS, N. Y., *June 21, 1958.*

Senator HARRY F. BYRD,
Chairman, Committee on Finance,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: I am writing in support of the passage, without amendment, of H. R. 12591, for reasons which are contained in the enclosed reprints of a recent article of mine. I request that the article be printed in the record as my personal statement and without reference to my law firm which has no connection with this matter whatsoever.

I would very much appreciate being sent a copy of the portion of the record which contains my statement, if that is possible.

Very truly yours,

PETER T. JONES.

[From the May 19, 1958, issue of Export Trade and Shipper, New York, N. Y.]

THE BASIC MEANING OF WORLD TRADE TO THE AMERICAN PEOPLE

By Peter T. Jones

The Trade Agreements Act, which underlies our entire reciprocal trade program, is today in serious danger. The present bill, H. R. 10368, with the provisions of which every reader of this magazine is familiar, would extend the program for 5 years from its expiration under the existing law, this June.

In presenting this bill to Congress, the administration for the first time decided to put its "domestic foot" forward, rather than its "foreign foot." Secretary of Commerce Weeks, rather than Secretary Dulles, was chosen for the kickoff in an endeavor to impress Congress with the importance of foreign trade to that which is nearest and dearest to the hearts of most legislators—the economic welfare of their own constituents.

In years past the Department of State has been put in command of the fight for our trade program, because it was thought that the most important reason for promoting foreign trade was its crucial role in strengthening our relations with other nations. As far as I can tell, the importance of foreign trade to our foreign relations is still thought by many members of the administration to be the No. 1 reason for fighting for the program, even in time of recession.

POCKETBOOK EFFECTS

But the State Department is not thought to have too many ardent supporters among the folks back home, and our friends in neighboring lands don't vote. Thus this year the administration decided for tactical reasons to emphasize that aspect of our foreign trade program which often seems to be of greater concern to Congress—the immediate effect on some of their constituents.

The effect of foreign trade on the American pocketbook and on the general health of our domestic economy is highly important at any time, and especially in time of recession. And a healthy domestic economy is, of course, part and parcel of a strong foreign policy. But everyone is already focusing on the domestic aspect of the question which in fact is of lesser ultimate importance than the foreign aspect, although perhaps easier to comprehend. I should like, therefore, to put first things first by concentrating primarily on an analysis of the role of foreign trade in meeting the greatest challenge of our times—the challenge abroad.

We must never lose sight of the fact that the Soviet Union today is busily waging a cold war against us and, by the very presence of its vast military machine, is also permanently threatening a hot war. Defeat for us in either would be disastrous, although at times, from reading our papers, one would hardly think so. All to frequently, we seem to be focusing with dangerous singlemindedness on our military posture and the threat of hot war. Tonight, however, I am going to stress the cold war, not because we can afford for 1 minute to turn our backs to the danger of hot war, but because it is clear Moscow's military challenge will never go unheeded in America. The reason was well put recently by Douglas Dillon, our capable Under-Secretary of State for Economic Affairs, who said:

"History is repeatedly disclosing that when the Americans are faced with a serious problem which is unmistakably clear to them, they somehow discover the unity, the resources, and the determination to solve it. I do not doubt, therefore, that our missile-satellite program will succeed."

It is because I share this confidence of Mr. Dillon's that I wish to turn to the problems of the Kremlin's cold war, which I think it fair to say, are not unmistakably clear to many of us and which therefore represent a greater danger. Only when we understand the essential nature of this cold war offensive are we able to grasp the full significance of a more liberal trade program in defeating it.

REVOLUTION OF RISING EXPECTATIONS

We are all familiar with the scientific revolution now thrusting us rapidly into the space age, and with the Kremlin's use of this to threaten hot war. But there is another revolution taking place simultaneously which the Kremlin is using to wage cold war. This is the revolution of rising expectations which is spreading like wildfire across the underdeveloped areas.

The driving spirit of this revolution was captured by the historian Arnold Toynbee, when he said:

"Our age will be well remembered not for its horrifying crimes or its astonishing inventions but because it is the first generation since the dawn of history in which mankind dared to believe it practical to make the benefits of civilization available to the whole human race."

Thus the Arab fellaheen in his sun-parched village, the rubber worker in sweltering Malaya, the plantation worker in Africa (and in the United States), the peasant in Guatemala, and families huddled in city slums everywhere—all these human beings for the first time are confidently demanding a better life. This is the key revolution which the Kremlin is exploiting in its cold war drive for world conquest.

By promising to fulfill these new hopes and demands of millions of people everywhere, by offering, as we shall see, very favorable terms of trade and by sending steel mills, technicians, and propaganda to these awakening countries, the Kremlin strives to capture their imaginations, their economies, and finally their governments. And its strivings are not impeded by the fact that many of these unhappy people are today poorer, in comparison to their own standard of living 5 years ago, or in comparison to the size of the gap that existed between their standard of living and our own 5 years ago.

But why so much attention to the underdeveloped areas? Joseph Stalin gave us the beginning of an answer back in 1923, when he said:

"The backs of the British ultimately will be broken, not on the Thames, but on the Yangtze, the Ganges, and the Nile."

By "the backs of the British," of course, he meant the entire Western World. By the Yangtze, Ganges, and Nile he meant that by capturing the markets and raw materials of China, India, Egypt, and the other underdeveloped countries, the Communists could break the economic back of Europe, which depends so heavily on the oil, rubber, metals, and markets of these turbulent areas. And with the fall or neutralization of Europe, the United States would stand little chance of avoiding Communist domination.

THE GRAND STRATEGY

This is the grand strategy—to capture the underdeveloped areas through trade and aid, to bring Europe to her knees by cutting her off from the vital raw materials and markets of these areas, and finally to strangle America by denying us the economic and military strength of Europe. And if anyone doubts the importance of Europe to our national welfare, let him ponder our willing expenditure of countless lives and dollars in two world wars, and more dollars in the Marshall plan to keep Europe free and friendly.

But what of this strategy: Is it anything we have to worry about? Has it accomplished anything? Let's first look at the three rivers on which, according to Stalin, the backs of the British would be broken. The Yangtze is in Chinese Communist hands, and Nasser's Nile can hardly be said to be securely at the disposal of the free world, although it is by no means under Communist control. Of the three, only India's Ganges can be said to be a true symbol of hope for the independent democratic growth of the underdeveloped areas, and even there, as in Egypt and elsewhere, we are liable to lose out if more trade is not forthcoming from our side, on a sustained basis.

Another Communist achievement which highlights the importance of a more liberal American trade program was emphasized by Stalin in 1952, just 5 months before he died. "The disintegration of a single world market," he declared, "must be considered the most important economic consequence of the Second World

War." China and the countries of Eastern Europe have broken away from the capitalist system, forming with the Soviet Union a united and powerful camp opposing the camp of capitalism. He predicted that this shrinkage of markets in the non-Communist world would produce mounting competition and bitterness in the field of foreign trade which, in turn, would facilitate the Kremlin's strategy of division and conquest.

TRADE POLICY'S ROLE

Here's where our trade policy comes in. This geographical shrinkage in the breadth of the free world's markets can more than be compensated for by an expansion in depth. If the nations of the free world steadily lower their trade barriers, the loss of markets to the Communist bloc will be but a drop in the bucket compared to the gain in new markets that will be achieved.

HIGH TARIFF'S CONSEQUENCES

But let's see what happens when we keep our trade barriers up. Let's go back to 1954 and look, for example, at wheat and cotton trade between Egypt and the United States. At that time the Egyptian people were buying some 20 percent of their annual wheat needs from our American farmers, who, reasonably enough, insisted on being paid in dollars. But our high tariff and quota barriers against Egyptian cotton made it increasingly difficult for Egyptians to earn enough dollars to pay for the wheat, machinery, and other goods they needed to buy from us.

So what did they do? They simply stopped buying the 300,000 tons of wheat they had been purchasing from us, at a time when our Government already owned and stored a wheat surplus worth almost $2 million.

A still more serious result of these trade barriers against Egyptian cotton was the signing by Egypt of a trade treaty with the Soviet bloc which permitted her to barter Egyptian cotton for Communist wheat without any payment of scarce foreign exchange. This obviously strengthened Egypt's dependency on the Communist bloc and in addition afforded the Kremlin an excellent opportunity for propaganda against the West. Listen to the following typical example of that propaganda which Moscow is constantly beaming to the underdeveloped nations, propaganda which we facilitate whenever we maintain high tariff barriers. This is an excerpt of a broadcast in Arabic by a Soviet economist entitled: "Arabs Suffer Under United States Trade Control."

"The United States and Britain, as well as Western Germany, are monopolizing the greater part of the exports and imports of Arab countries. Trade with these countries is always subjected to an adverse balance.

"The American and other capitalist monopolists talk a great deal about so-called freedom of trade, but have increased obstacles for importing Arab products. American exports to Egypt, Syria, and Lebanon exceed imports from these countries to America The chief export, cotton, faces great difficulty because Egypt cannot find ma kets. At the end of the last cotton season, the quantities of unsold cotton amounted to 900 million pounds. It is known that America is Egypt's most serious competitor in the disposal of cotton."

What has happened to Egypt since 1954 is too well known to bear repeating here, save for the fact that in the last few years the Soviets have provided nearly all the wheat Egypt needed to import, leaving us to our surpluses. Clearly Egypt's drift away from the West was not caused solely by our trade barriers against her cotton. But no one would deny this was a contributing factor.

In fact, in the past, members of the Egyptian delegation to the United Nations have told me on several occasions that our protectionist policy against Egyptian cotton is the one policy they would most like us to change. In view of the many differences between our two Governments, this is quite a revealing statement. We would do well to bear in mind when considering the consequences of our high trade barriers for our relations with other Arab nations which together control some two-thirds of the world's known oil reserves.

SOVIET TRADE WEAPON

There's another reason why high trade barriers are increasingly inimical to our national welfare. Joseph Stalin pointed it out in 1952 when he also predicted that the friction in the free world over shrinking markets would be hastened along by the "high rate of industrial development" in the Communist countries. "One may say with certainty," he declared, "that with such a rate of industrial development, things will soon reach a stage where these (Communist) countries will not only have no need to import goods from capitalist countries, but will themselves experience the need to dispose of surplus goods of their own production."

That was in 1952. Today Soviet production is expanding at an annual rate of about 11 percent, while recently our own production has been dropping by the same 11 percent rate annually. Moreover, in recent weeks the latest evidence of Stalin's prediction at work has been flashed across the country by our news services. For many years Great Britain purchased 80 percent of its aluminum from Canada. Recently a new competitor, none other than the Soviet Union, has pushed its own sales of aluminum to Great Britain from a paltry 107 tons in 1956 to a current rate of 23,000 tons, almost one-sixth of the Canadian sales.

How do they do it? They simply offer it to the British at $510 a ton instead of at the Canadian price of $552. Thus part of the free world's market has been chopped off and dragged into the Soviet orbit—by means of trade, and the same sort of thing is occurring to a lesser degree with regard to ferroalloys, tin and oil which are also being offered in the free world's markets in growing quantities. Trade is clearly a major weapon in the Kremlin's grand strategy for world conquest.

WHAT'S ONE ANSWER?

What's one answer to this Soviet trade offensive? We must widen and deepen our own channels of trade at every opportunity so that it can never be said that free societies are unable to offer greater opportunities for material, as well as spiritual growth to mankind everywhere.

Having examined the cold war challenge the Kremlin has thrust upon us and the importance of more foreign trade and fewer trade barriers in meeting this challenge, let us now turn briefly to the threat of hot war.

HOT WAR THREATS

To maintain the military balance of power, we must have missile bases in Europe. Recently, however, the doctrine of neutralism on the continent has been gaining more adherents and the movement has not been slowed down by the thought that remaining in alliance with the United States carries with it the obligation to install missile bases on European soil, making our allies, as well as ourselves, primary targets in case of an all-out nuclear attack. There is a growing notion, however wishful and foolish it may be, that a neutral Europe without missile bases would somehow be spared while the United States and Russia shot it out overhead.

Think of the opportunity we would present to these forces of neutralism to win new supporters if, having asked our allies to risk their very lives by building missile bases, we then turned around and announced, "We've just decided not to renew our reciprocal trade program. We're going to keep our dollars; you'll have to go it alone and peddle your products elsewhere." Can you imagine the response? Headlines would scream: "Ike's Trade Bill Killed, No Bases Here."

Unless the administration's trade bill gets through Congress without crippling amendments, our hopes for missile bases in Europe will be as badly damaged as our chances of competing with the Kremlin for the markets of Europe, the markets and raw materials of the lesser developed areas and, most important of all, for the loyalty, respect, and friendship of freemen everywhere.

What do we mean, "without crippling amendments"? We mean that we must have the full 5-year extension of the act, carrying with it the authority to enter into new trade negotiations to reduce tariffs by a total of 25 percent.

Why is this important? Perhaps the key reason concerns the new European Common Market and the disastrous effect its creation is likely to have on our sizable exports to Europe if the administration's request is turned down.

EUROMARKET CHALLENGE

Last year we sold $2.8 billion, or more than 17 percent of our total exports to the six Common Market countries of Germany, France, Italy, Belgium, Holland, and Luxembourg. That's a sizable business.

In the next 4 to 5 years, however, the tariff barriers of the 6 nations in the Common Market against each other will be lowered by about 30 percent, giving goods produced within the Common Market a substantial improvement in price vis-a-vis the present price of comparable American goods.

To counter this the administration at least must have authority to reduce our tariffs by 25 percent during the same 5 years that the Common Market countries have already agreed to reduce their tariffs against each other by 30 percent. Only then will American goods stand a chance of maintaining their share of this growing market, already worth almost $3 billion a year; and only then will Europe avoid the temptation to close its eyes to the rest of the world and tend only its own garden.

There is another reason the administration needs the 5-year extension and the authority to reduce tariffs by 25 percent. It needs these in order to strengthen and to take maximum advantage of the General Agreement on Tariffs and Trade, commonly known as GATT. The unique contribution of GATT lies in the multilateral trade concessions which have been and can be worked out under it. By negotiating a number of trade concessions to which 37 nations are a party, many more of the requirements of each nation have been met. In fact, the 37 contracting parties to GATT, which together represent 80 percent of world trade, have worked out trade concessions covering more than two-thirds of their combined imports. Still more can be done if Congress passes the administration's bill intact, thereby providing greater time and certainty with which to plan and negotiate.

But there is one thing the multilateral GATT lacks and needs very badly. That's an administrative setup to handle disputes, administer the rules, and coordinate the entire program.

Under United States initiative, the member nations of GATT have negotiated a blueprint for such an administrative setup which is known as the Organization for Trade Cooperation (OTC). Thus far, however, our Congress has refused to approve United States membership in OTC and until it does, OTC cannot function nor can the GATT operate at maximum efficiency.

Thus far we have examined primarily the foreign aspects of foreign trade. The Kremlin's cold war, its threat of hot war; and the importance of more foreign trade in meeting the two-pronged challenge. We have also examined the significance of the 5-year extension and the 25 percent tariff reducing authority for our future trade and political relations with the Common Market nations of Europe and for strengthening and taking maximum advantage of the all-important General Agreement on Tariffs and Trade.

DOMESTIC ECONOMY

Now let us turn briefly to the importance of foreign trade to our domestic economy. I have already mentioned the $2.8 billion worth of goods which American industries sold to the 6 Common Market countries last year. But let's look at the broader picture.

Last year we in the United States sold a total of almost $20 billion worth of goods and services to other countries. This $20 billion export business of ours is greater in value than all consumer purchases of automobiles and automobile parts, and it's greater than all nonfarm housing construction. Moreover, it's not confined to just a few companies or industries. Nearly every branch of American industry which produces movable goods exports some of its products, and the major export industries greatly influence the pace of business activity in the whole country.

And please don't ever forget one thing. Unless we want to be paid in cruzeiros or drachmas, our foreign purchasers must have some means of earning dollars in order to be able to pay us in dollars. And this can only be done if we lower our tariff barriers and buy those foreign goods which are unavailable here or which are, without high tariffs, less expensive than our own—a policy which would not exactly be against the interests of the American consumer.

There is another fact about foreign trade which is especially important in time of recession. Some 4.5 million Americans depend directly on our foreign trade for their jobs. Any curtailment in our imports would mean a loss of jobs not only to some of the 1.3 million Americans employed in handling and processing imported goods, it would also mean a loss of jobs to some of the 3.1 million employed in our export industries, since a drop in imports means a drop in dollars foreign buyers have to buy from our export industries.

UNITED STATES IMPORT NEEDS

But there's another, even more important reason for increasing our imports. By 1975 the Paley Commission report estimates we will have to import at least 20 percent of our total raw materials requirements and no less than 55 percent of our metals requirements. We simply must import to conserve our own rapidly vanishing resources. We also must import in order to help build up the economies of the underdeveloped countries which alone can supply us with many of these vital raw materials, for it is inconceivable to me that they can remain free or stable enough to sell us their raw materials unless their overall economies achieve a status of vigorous general growth—and this they cannot do without more trade with us.

But, you must be asking yourselves, what about all those American industries that are being ruined by foreign imports. According to the Department of Commerce, from April 1948 to March 1957, 9 years time, imports into this country accounted for something less than 28,000 job displacements in those industries producing the 23 commodities which, according to the Tariff Commission, were injured by foreign imports.

It has also been estimated that if all of our tariff barriers were suddenly pulled down, and this will never happen, the maximum job displacement which would occur would run to perhaps 150,000 jobs. This is only a fraction of 1 percent of our total labor force and less than one-fifth of the some 800,000 Americans who temporarily shift to the unemployed ranks each month, year in and years out. Furthermore, the job displacement brought about by the ending of all tariff barriers in this country would not necessarily mean that much unemployment. The increased imports that would result would produce more foreign-held dollars which must be used, sooner or later, to buy the products of our export industries—and this means more jobs for our workers in those industries.

In closing, let me leave you with three key words which to me summarize the reasons why we must have more trade and fewer barriers. Necessity, opportunity and, yes, responsibility.

The cold war, the threat of hot war and our own dwindling resources make more trade a necessity.

The vast potential material gain in new products and lower prices for ourselves and our neighbors make more trade a tremendous opportunity.

And the imperative of stopping the present trend whereby the majority of mankind get poorer, in absolute or relative terms, while we the minority continue to prosper—for awhile, this makes more trade a responsibility—of each and everyone of us.

WESTREX CORP.,
New York, June 19, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: This letter, addressed to you as chairman of the Committee on Finance, is in support of the bill to extend the Trade Agreements Act, H. R. 12591. I request that this letter be made part of the official record of the hearings on this bill.

Foreign trade and the Trade Agreements Act, which this bill would extend, are important to the Westrex Corp.

Westrex is, essentially, an export organization. It has been in foreign trade for approximately 30 years. We have 200 employees in the United States, located in New York and Hollywood, and approximately 1,100 abroad. More than 85 percent of the Westrex gross revenue is derived outside of the United States. Exports from the United States produce more than half of the gross revenue obtained abroad, services and local manufacturing accounting for the balance. We design and fabricate some of the goods which we export, but the majority of these goods are obtained from other United States suppliers.

H. R. 12591 as passed by the House of Representatives has some serious shortcomings, but, even so, it is highly important that this legislation should be enacted in its present form. If this bill is weakened with further amendments, ostensibly designed to give greater protection to domestic producers, the exports and imports of this country will suffer.

If any amendments are made, they should be amendments which would make this bill more genuinely an instrument to promote international trade. For example, it would be desirable to eliminate the provision which would permit the President to increase tariffs to 50 percent above the 1934 level.

If the exports of Westrex Corp. are reduced substantially, we will be forced to reduce the number of our employees. Loss of export business now handled by Westrex will also affect our suppliers. During the past 2 years, Westrex has exported approximately half the total output of at least 2 of its suppliers. A reduction in Westrex exports will affect such people nearly as directly as it will our own organization. Attached to this statement is a copy of a letter from one of our suppliers.

Foreign countries want to buy goods from our country, but to do so they need to earn dollars with which to pay for such goods. If we restrict their power to earn dollars, they must decrease their purchases of goods from us. This is not the way to win friends and influence people favorably toward us. In fact, it makes poor friends out of good ones. And it forces these countries to look elsewhere for their trade. To Russia, possibly.

Certain industries in this country oppose the extension of the Trade Agreements Act because they want high-tariff protection for their goods to help them meet foreign competition in the United States market. Westrex designs its own products with high-priced American engineers, has them manufactured in this high-wage country, ships them all over the world, pays foreign import duties on them, competes with both local and international competitors, and still gets a substantial share of the available foreign market.

This shows that American efficiency can overcome high labor costs and permit American goods to compete in foreign markets. The same must be true in many other industries. In those cases where this is not true, the law provides ample protection. Inevitably, however, continued tariff protection for domestic industries takes away a major incentive to meet competition by seeking to improve product and reduce costs. It also hurts all producers who export any of their goods by reducing foreign earnings and, thereby, reducing the markets for all American goods.

The goods exported by Westrex provide jobs for Americans, build up needed skills in this country, and, in general, are just as desirable as production generated by domestic traders. American export industries are injured by high tariffs and other import restrictions. If it is reasonable to provide high tariffs to protect domestic industry against foreign competition, it would be just as logical to help exporters meet their foreign competition by giving them a subsidy to cover their shipping costs and foreign import duties. Westrex does not advocate such a subsidy; we merely wish to point out that a subsidy would be just as logical as a high, protective tariff. In fact, a protective tariff is simply a form of subsidy.

Anything that tends to remove artificial restrictions from trade reduces friction and tension throughout the world. What we need now is not only an extension of the Trade Agreements Act but, also, a liberalization of it.

The act should be extended for 5 years to minimize frequent upsets or possible changes in policy resulting in uncertainty on the part of nations with whom we trade. It is particularly important at this time that the extension be long enough to allow this country sufficient time to fully complete negotiations with the European Common Market. Careful and continuous negotiation over a number of years will be required to insure full access of American goods to this market. Westrex, for one, would suffer substantially if tariff differentials effectively closed the European Common Market to goods from the United States, for France, among other Common Market countries, has been one of our best customers.

Sincerely yours,

R. E. Warn.

O. S. Ashcraft Manufacturing Co., Inc.,
Long Island City, N. Y., February 21, 1958.

Westrex Corp.,
New York, N. Y.
(Attention: Mr. Edward Warn, vice president.)

Dear Mr. Warn: Regarding the matter of the importance of foreign trade to our company, let me say that it is of the utmost importance. I do not believe that, at the present time, our company could continue to exist without the business that it receives from the Westrex Co.

There was a temporary boom in our business during the years of 1953 to 1956, due to the building of many large drive-ins throughout the United States and the introduction of wide-screen pictures in the indoor threaters. This business is now finished and, therefore, domestically, the sales are at an extremely low level.

Due to the rapid strides made in television, the divorcement of producing companies from the exhibition of the pictures, and various other causes, the exhibitors of motion pictures, who are our customers, find the going very difficult and are limiting their sales to essentials for maintaining their present equipment. The sale of major equipment which we manufacture is almost beyond the capacity of the hard-pressed theater owners to purchase. This is not due to any lack of diligence on our part, as the cost of our research has increased rapidly during the past 2 years; it is merely an economic condition that exists in the motion-picture industry.

During the period from 1953 to 1956, our company employed as many as 60 workers. During the past year, we were forced to lay off a substantial number of these men; the remaining 33 percent are largely employed in the production of equipment for export through your company. If, for any reason whatever, you found it impossible to continue to purchase our equipment, it would work a severe hardship on our company. Your excellent combination of sales force and engineers has done a marvelous job in the distribution and maintenance of our products, and we hope that this will continue.

Sincerely yours,

O. S. Ashcraft, *President.*

STATEMENT OF THE BUFFALO CHAMBER OF COMMERCE

The Buffalo Chamber of Commerce, comprising an association of 3,300 business executives and 2,200 firms in the Niagara Frontier, strongly supports the proposal to renew the Reciprocal Trade Agreements Act for at least a 5-year period.

We urge the act's extension after July 1 in order to maintain and expand jobs and the welfare of the people of western New York, as well as to advance national interests.

In the business community served by the Buffalo Chamber of Commerce, there are more than 400 firms actively engaged in foreign trade. The Buffalo area, one of the great industrial centers of the Nation, produces a long and varied list of manufactured products which are marketed abroad. Among them are flour, feed, and cereals; pharmaceuticals and drugs; automotive parts, accessories, tools, and supplies; musical instruments and record players; chemicals; dental, surgical, and scientific instruments; machinery of all types (sugar mill, cloth cutting, food processing, metalworking, packaging, chemical, etc.); hospital equipment; furniture; abrasives; business machines; electrical equipment; motors; pumps; heat exchanges, etc.

The sale of Buffalo-made products abroad is necessary to maintain low unit production costs and to maintain local full employment. In the year ending August 1957, the Buffalo customs district handled $832 million of exports; even that large figure is not the complete story, inasmuch, as large quantities of Buffalo-made products are cleared through New York City and other seaboard ports.

It is axiomatic that international trade must be two way; that imports are paid for with exports and that the volume of exports depends upon imports. Any backward step to a national policy of high-tariff protectionism would bring idle plant capacity, unemployment, and economic recession to our area.

We estimate that 30,000 to 35,000 jobs in western New York depend upon export-import trade. With the opening of the St. Lawrence seaway, a further expansion is eagerly sought of international trade at the port of Buffalo. Fifty-one foreign ships docked at Buffalo in 1957; we anticipate that the number of these ships and the volume of tonnage they carry will rapidly increase. Certainly, it would be inconsistent for the Federal Government to make a heavy investment in the St. Lawrence seaway and then to stultify its use by a restrictive international trade policy.

From a national point of view, also, the supplying of foreign markets with dollar exchange by importation of goods and services is necessary to maintain a high level of United States manufacturing and employment. The Reciprocal Trade Agreements Act, in effect since 1934, has been a prime factor in increasing production and jobs. The rise of $2 billion in 1957 over 1956 in exports was the equivalent to more than half the increase in the volume of all goods and services produced in the United States last year.

The extension of the act at this time is of worldwide political importance. The promises of the Soviet Union have already caught the imagination of peoples of less-developed countries. If the United States pulls into its shell by restraining imports, the economic interest of those countries must necessarily be oriented toward Russia, thus adding to the perils now facing the free world.

If American exports be maintained, while imports are curtailed, the dollar gap would widen. The gap could be filled by increased foreign aid handouts. But that would mean adding to the heavy burden of taxation on American business and individual taxpayers for the benefit of special groups enjoying tariff protection. Properly understood, such a policy would be highly unwelcome both to the giver, the United States taxpayer, and to the recipient. Trade, not aid, is the only sound and durable base for our foreign relations.

Another reason that the United States should maintain an expansionary foreign-trade posture is the impending economic integration of Western Europe. The Common Market, with its 170 million consumers, will become an area of unrestricted trade as extensive as that of the United States. The United States in its own interest, cannot afford to forgo its share in this development by withholding the opportunity to this vast population to earn enough dollars to buy all it wants of the products of American farms and factories.

In renewing the Reciprocal Trade Agreements Act, it would be preferable to extend it for 10 years. The shortness of the act's renewals in the past has made long-range business planning risky. Businessmen need the certainty and stability that go with periods of time reasonably needed to build efficient marketing organizations.

The escape-clause feature, although not frequently used, has been a deterrent to confidence that a successful importing program will not suddenly be destroyed. If its use is continued, it should be restricted as a temporary reprieve, rather than applied as permanent protection, so that the lower limit of the tariff would be restored at the end of the reprieve.

The Buffalo Chamber of Commerce has long urged simplification and certainty in the administration of customs. Our Canadian friends have complained more about the delays and annoyances resulting from practices in valuing merchandise than about the levels of our rates of duties. What is needed is adoption of tariff nomenclature fixed by the Brussels convention of 1955 to remove present uncertainties of classification and import tax.

The American economy has never been and never will be self-sufficient. Protectionism may temporarily shield a few at the expense of the many. In the long run, restricting imports destroys national wealth and job opportunities. Foreign giveaways to stimulate United States exports subtract also from national wealth. Economically, it is in the hardheaded self-interest of the United States to encourage import as well as export trade expansion. And, because of our vital stake in the political fate of other nations, we must keep open those arteries of free world trade. Economic interdependence is the firmest of international political ties. Reciprocity in trade is vital to world peace.

STATEMENT FILED BY C. C. WALTHER, PRESIDENT, WALTHER BROS. CO., INC., AND WALTHER PAINT CO., INC., NEW ORLEANS, LA.

My name is Curtis C. Walther, president of Walther Brothers Co., Inc., and Walther Paint Co., Inc., of New Orleans, La. I have been a resident of New Orleans since 1920, being a native-born Louisianian. Living in this important port city of the United States, I, early in my business career became interested in foreign trade.

I was one of the original organizers of International House and was president of that organization for the years of 1951–52. I am a past president of the Chamber of Commerce of the New Orleans area, having served two terms in 1949–50. I was one of the organizers in the International Trade Mart of New Orleans and presently a member of its board of directors. I am presently president of the Foreign Policy Association of New Orleans, and was chairman of the Mississippi Valley World Trade Council for the years 1955–56.

During my presidency of International House, I headed trade missions of business men and women to Guatemala, Mexico, Colombia, and Cuba, and in the year 1954 headed the International House trade and travel mission to 7 European countries, where we visited international trade fairs in Milan, Italy; Hanover, Germany; Brussels, Belgium; and London, England. On all of these trips our group program was arranged officially by the heads of foreign trade departments of these foreign countries, which brought us into direct contact with our counterparts in those countries. Forums and panel discussions were the order of the day, which gave us a most comprehensive insight into the problems that beset those who engage in foreign commerce.

On the basis of my personal experience that resulted from manifold contacts as outlined in part in the foregoing paragraph. I have formulated a basic conclusion that motivated my request for permission to file a statement; namely, if we are to have world peace, we must have world trade. If we are to have world trade, we must eliminate as many trade barriers as possible.

I sincerely request that your committee approve the extension of the Trade Agreements Act for a period of at least 5 years and continuing authority for a tariff reduction of not less than 25 percent.

(1) The Trade Agreements Act is the legislative basis for United States trade policy for the past 24 years. The United States as the leader of the free world and the Nation with the largest volume of international trade obviously exerts the greatest influence on the course of the world trade and on the trade policies followed by the other nations. For the past 10 or 12 years United States leadership has been decisive in maintaining so large a part of world trade in private hands and in steadily reducing, on a worldwide scale, tariff and other artificial barriers to the international exchange of goods. We have made substantial progress toward world multilateral trade and convertibility of currencies which are major United States foreign economic policy objectives. A failure on our part to continue this legislation in an adequate form could only cause us to lose our leadership and gravely jeopardize the progress already made in these directions. It could spark a chain of events which would reverse the process of expanding world trade and lead to the development of mutually exclusive regional blocs economically insulated from each other and from the United States. Such regional trading areas are already forming. The direction in which they develop and whether, by increasing trading opportunities on a world basis, they realize the full potential benefits of the larger free-market area they are designed to comprise, depends heavily on United States action on this extension of the Trade Agreements Act.

(2) Expanding exports and imports are essential to an expanding United States economy. Our continued economic development, our increasingly high standard of living, our greater productivity all depend upon higher volumes of trade. Four and a half million people or 7 percent of our labor force are directly or indirectly employed in this 2-way trade. About 9 percent of our movable goods are exported; this includes 11 percent of our machine tools, 20 percent of our mining and construction equipment, about one-fifth of our agricultural production. We cannot maintain or increase these exports unless imports increase. It is only through pursuit of a liberal trade policy on our part that our trading partners can themselves pursue such a policy; aside from our foreign aid and foreign investment it is only through increasing exports to us that other countries can earn the dollar to pay for our exports. The United States is a low-cost producer of a tremendous variety of products, in great demand around the world. The major limitation on our export sales is the dollars these countries can earn. Tariff protecting our less efficient and generally low-wage industries directly limit potential exports of our efficient, high-wage industries and work to prevent the kind of specialization on an international scale that has served us so well domestically in greater productivity and efficiency. With larger imports we would make perhaps fewer bicycles, less velveteen, less decorated chinaware, or glassware—but more electronic equipment, construction and mining machinery, transport equipment. Our highly productive industries would expand and, as more dollars were available to other nations, this would extend to a wide range of consumers' goods for which we are still the lowest cost producers in the world. These greater exports would lead automatically to greater United States imports of noncompetitive raw materials or components, to the benefit of both sides.

(3) We need at least 5-year extension of the Trade Agreements Act to provide a minimum of stability in our foreign trade. One of the major problems in the forward planning so necessary in the conduct of any business has been the uncertainty caused by the successive expirations of the Trade Agreements Act and the questions raised each time about its renewal. This is damaging to confidence in the continuity of a liberal policy on our part and seriously inhibits full realization of the benefits such a policy can bring forth, both to ourselves and to the rest of the world.

(4) The 6 European countries—France, Germany, Italy, Belgium, Netherlands, and Luxembourg—have now ratified the treaties which will set up, over a period of 12 to 15 years, a common market free of tariffs and quotas for the products of 160 million people. The first phase of this operation will take place in the next 4 to 6 years, during which period tariffs among the 6 will be reduced by 30 percent, and a common tariff at a level of the average of present tariffs will be established against all outside countries. We consider this development a major step in the right direction—the greater specialization, the increase in productivity brought about by large-scale production in this wider market area, can only result in higher living standards for all of the six countries. It can mean greater two-way trade between the area and the United States, provided we are able, through the extension of this Trade Agreements Act, to negotiate a reduction in the level of the average European tariff to be maintained against us. Our mutual trade can certainly increase, as it has always done, as countries increase their developments and raise their standards of living, but if we give notice, by failure to pass this legislation in meaningful form, that we are not prepared to maintain our liberal trade policy, there is the considerable danger that the direction which the six nations take in their development will be away from closer economic relations with us and toward the kind of closed trading system so disastrous to our goals of freer worldwide multilateral trade. It could lead to the kind of bilateralism and regionalism against which we have exerted our influence for many years. It could lead, increasingly, to our mutual economic isolation and reduction of our very considerable mutual trade instead of its increase, as both of our economies demand.

There is no real solution, as many have maintained, in greater United States investment in plant and equipment inside the Common Market area in order to supply that market tariff free. Remittance of earnings in dollars and repatriation of capital will depend on European dollar earnings through increased exports of the area to the United States, and this can only be accomplished through a reciprocal reduction of tariffs.

(5) Extension of the Trade Agreements Act is particularly important in view of the current business downturn. There can be no doubt that the recent decline in our exports has been a basic contributing factor in that downturn.

For the sake of our economy, for the preservation of United States jobs which depend on exports, we need now the boost that passage of this legislation would give to our rate of business activity by removing the uncertainty, the crisis of confidence among our foreign customers that our trade policy is in danger of going backward. We cannot afford the kind of a downward spiral in our foreign trade and failure to extend this act would entail. Its inevitable consequence would be further pressure on our employment, our investment in plant and equipment and our economic activity.

(6) Above all, extension of the Trade Agreements Act is essential to free-world unity and security. All nations in this world of mutual dependence rely for their economic strength on foreign markets for their exports and on foreign sources of raw materials and other essentials for their imports. No alliance, political or military, can be strong unless it is supported by common economic ties and full faith by each in the cooperative effort of all. In the face of the new Soviet economic offensive—the new challenge to the United States in the field of trade, issued by the Kremlin—these ties and these opportunities become more crucial than ever to the security. A large part of the world is at stake. If we default, we may lose, for our principles of freedom and of competition, much of that world. The drive for economic development, for higher standards of living, is irresistible everywhere, and will be satisfied either within the traditions of freedom or by forced growth at the tragic sacrifice of the individual, characteristic of the Soviet system. This extension of the Trade Agreements Act will be a central factor in the choice the world makes as to the direction it will go.

MOUNT HOLYOKE COLLEGE,
South Hadley, Mass., June 23, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: As one long interested in international trade, both in my business career and now in academic life, I should like to submit for the record of your committee the following statement in support of the bill, H. R. 12591, to extend the Trade Agreements Act. At the very least, this bill should be enacted without further weakening amendments.

Over the past quarter century our domestic economy has benefited in many ways from the reciprocal trade program. With the present lower level of economic activity in the United States we must be particularly careful to avoid actions which could make business conditions worse. While it can be said that foreign trade has been a partial cause of the present downturn, this is only because exports have declined. Unless the present is extended in the form passed by the House or better, there is every reason to think that exports would be even more adversely affected, worsening present business conditons.

The effect of our trade policy on our relations with other nations is of the greatest importance, too. Recent events in Latin America demonstrate the difficulties we create for ourselves when we restrict imports from friendly nations. At a time when the Soviet Union has openly proclaimed its intention to win world domination by means of its economic offensive, the United States must not appear to be retiring from the contest by reverting toward economic isolation. We are spending $40 billion on defense to prevent this Soviet domination. A proper extension of the Trade Agreements Act is also important for this same purpose, and rather than being a burden on the economy, as defense expenditures inevitably are, it is a positive stimulus to the economy.

Indeed there is probably no Federal program today which contributes so much to our national welfare while at the same time being so consistent with our basic economic philosophy of free enterprise. Unlike certain other Federal programs, the very purpose of the trade-agreement program is to reduce Government interference with business. It serves to give the free-enterprise system a better chance to work, both at home and abroad. There is much evidence that foreign competition has had a healthy effect on our domestic economy; it plays a similar role as domestic competition in stimulating the production of better products with greater efficiency. Domestic producers are, of course, protected against genuinely unfair foreign competition, as for example in the case of dumping, by means of the Antidumping Act and other measures.

Abroad it is to our interest to stimulate private enterprise and a belief in the workings of the free market. We cannot convince others that we really believe in private enterprise and competition, however, if we bring in the power of the Federal Government to eliminate an important element of competition for our domestic producers.

The bill as passed by the House of Representatives, while useful in that it carries forward this valuable program with certain additional powers for the President, is not entirely satisfactory. Among the features of the bill which I feel are highly undesirable are the provisions which permit the President, pursuant to an escape-clause action, to increase tariffs by 50 percent over the 1934 level and the provision which permits the President to establish a tariff of up to 50 percent ad valorem on those items now bound on the free list.

Under the circumstances, I think that it would be a grave disservice to this Nation if the Senate amended the bill in any way which made it easier to increase tariffs or which reduced the authority granted to the President. It would also be most unfortunate if the act were extended for less than 5 years. I most strongly urge that your committee report the bill favorably with no further amendments unless these were amendments to eliminate these undesirable provisions which I have mentioned.

Sincerely yours,

RICHARD GLENN GETTELL,
President, Mount Holyoke College; Member of Committee on Commercial Policy of the United States Council of the International Chamber of Commerce.

THE PORT OF NEW YORK AUTHORITY,
New York, N. Y., June 18, 1958.

HON. HARRY F. BYRD,
Chairman, Committe on Finance,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: The Board of Commissioners of the Port of New York Authority endorses and respectfully urges that the United States Senate renew the Reciprocal Trade Agreements Act for the full 5-year term incorporated in the legislation recently enacted by the House of Representatives. On behalf of our Commissioners, I would like to present the port authority's position with respect to this legislation and request that this letter be made a part of the record of he hearings and deliberations of your committee.

Since 1934, the reciprocal trade agreements program has served as a cornerstone for the foreign economic policy of the United States. This program, by means of the reduction of tariffs and trade barriers on a mutually advantageous basis, has resulted in expanded international trade. This ever-increasing volume of trade, travel, and investment flow has unquestionably strengthened the economy of the United States and the rest of the free world.

The expansion of trade and the strengthening of the economy have of course benefited the States of New York and New Jersey and their bistate harbor, the port of New York. Eight billion dollars worth of export-import cargo arrived and departed from this port by ship or airplane in 1957, and these benefits ultimately accrue to the entire natitonal economy.

The importance of export-import trade to the New York-New Jersey metropolitan area is emphasized by the fact that port jobs provide a livelihood for at least 430,000 people in this great bistate region. These 430,000 jobs, in turn, furnish the ecoonmic basis of existence for 1 out of every 4 persons who live in the port district. Moreover, the port's handling of many millions of tons of waterborne commerce a year produces more than one-fourth of the total wages earned in the port district.

The port of New York has therefore a vital interest in the continuance and expansion of the flow of international trade and commerce. This concern and interest was demonstrated by the States of New York and New Jersey in their port compact of 1921 which created the Port of New York Authority as their bitsate public agency. One of the basic responsibilities of the port authority is the development and promotion of commerce and trade through the port of New York.

The conviction of the commissioners of the port authority that international trade is vital to the port's welfare and their faith in the future of this trade is proved by their continued approval of new and expanded programs and activities designed to promote the welfare of the port district and its 13 million residents.

Thus, during the past 15 years, the port authority has invested $100.6 million in 5 great marine terminals in New York and New Jersey and has authorized the expenditure of an additional $60 million during the next 5 years in further improvement of its waterfront terminals. These new and modernized piers, cargo terminal buildings, ship berths, channels and supporting facilities accommodate a substantial portion of the 12,000 ships which enter New York Harbor every year.

In its investment and authorized additional expenditures of $370 million in 4 great metropolitan airports, a large part of which has been spent for facilities to handle overseas air passengers and cargo, the port authority has also demonstrated its confidence that the welfare of the port, the two States, and the United States as a whole is founded on an ever-increasing interchange of people and goods between the nations of the world.

So too is that confidence expressed in our trade-development and port-promotion program, on which the port authority spends $1 million a year. This activity includes a number of publications and other media designed to inform and assist overseas and domestic shippers in their handling of export-import trade to and from the United States. Similarly, the port authority's 3 overseas trade development offices in London, Zurich, and Rio de Janeiro as well as its 4 domestic offices in Washington, D. C., Chicago, Cleveland, and in downtown Manhattan have as their basic function and purpose, assistance and service to the shippers in the respective areas of Europe, Latin America, and this country for which they are responsible.

It is the firm belief of the commissioners of the port authority that the objective of American tariff policy should be an orderly and progressive increase of international trade. Such a policy benefits each of the participating countries by providing the stimulus for the international exchange of goods. Equally vital is the increase of commerce among nations as a positive step toward world peace.

Foreign trade is important to a much greater area of our national economy than just the export-import business directly concerned. It is important to everyone in the country who has labor, products, or services for sale. This truism has been amply demonstrated. The original purpose of the Reciprocal Trade Agreements Act—the increase of foreign trade through bilateral tariff reduction agreements between the United States and inidvidiau countries—has succeeded beyond expectatiton. Exports have increased from about $2 billion in 1934 to more than $20 billion in 1957, while imports have increased from about $1½ billion in 1934 to almost $13 billion in 1957.

For these reasons, the Port of New York Authority endorses a foreign-trade policy which encourages the freer movement of goods to and from the United States as best serving the economic welfare and security of the Nation. We respectfully urge therefore that your committee act favorably to extend for a 5-year period the Reciprocal Trade Agreements Act.

Sincerely,

DONALD V. LOWE, *Chairman.*

GETS BROS. & CO.,
San Francisco, Calif., June 17, 1958.

Senator HARRY BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SIR: With reference to the forthcoming meeting of the Senate Finance Committee to consider the passage of the administration bill for the renewal of the Reciprocal Trade Agreements Act, due to the fact that I am unable to appear before the meeting to testify in favor of the passage of this act, I am taking this opportunity of writing you my thoughts in this connection.

This act is of great importance since it means a strengthening of our own economy and consequently the strengthening of the economy of the free world.

I am urging your support and that of your committee for the extension of the Reciprocal Trade Agreements Act for a minimum of 5 years because this means expanded United States export trade and consequently millions of jobs, a strong United States bargaining position for negotiating tariff and trade problems during European Common Market developments, aid in our drive toward lower costs and lower prices of consumer goods through competitive imports, and finally, the necessary presidential authority for dealing with United States trade policy as an integral part of United States foreign policy.

I sincerely hope that you and your committee will give this matter your most favorable consideration since it is in my opinion the most important legislative matter on the agenda at present.

Very truly yours,

LESTER GOODMAN.

GULF OIL CORP.,
Pittsburgh, Pa., June 23, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: This letter, the attached statement and summary are submitted to you in connection with the Senate Finance Committee's consideration of H. R. 12591, Trade Agreements Extension Act of 1958. Last November, and again in February, Gulf Oil Corp. presented a statement of its longstanding views on this vital legislation, first, to the Subcommittee on Foreign Trade Policy, and then to the House Committee on Ways and Means. We should like this letter and the attached statement to be part of the record of your hearings.

Gulf has consistently supported a 5-year renewal of the Reciprocal Trade Act as a necessary weapon in the coming struggle for world economic and political leadership. It is our firm belief that world trade is necessary to our domestic prosperity, to the growth and development of our free world friends, to win the cold war and to prevent a hot one—for trade may become our most critical battle with international communism.

We were greatly encouraged by the recent action taken by the United States House of Representatives on this legislation and urge that the Senate Finance Committee recommend to the full Senate its speedy passage.

Very truly yours,

R. O. RHOADES.

SUMMARY, TRADE AGREEMENTS LEGISLATION AND THE PETROLEUM INDUSTRY, STATEMENT OF GULF OIL CORP.

Gulf, because of its long and extensive experience in both domestic and foreign operations, feels itself qualified to comment on international trade.

PURPOSE AND ACCOMPLISHMENTS OF THE TRADE AGREEMENTS ACT

1. The purposes of the 1934 act to expand foreign markets for the products of the United States and to support prosperity have been successfully achieved.
2. Free foreign nations have been aided by the promotion of increased trade.
3. Reversal of the policy established to minimize trade barriers would be most likely to bring about both domestic and foreign economic distress and to lose us friends.
4. Failure to renew the Reciprocal Trade Act would tend to forfeit gains made through foreign aid.

POSSIBLE ABUSE OF THE ESCAPE CLAUSE IN THE ACT

1. Minimum criteria should be added to the law to define positive injury to be shown before escape clauses apply.
2. Loose interpretation of the escape clauses could nullify the act.

PETROLEUM IMPORTS

1. Both imports and domestic production should share increasing demand.
2. As long as domestic production is increasing, imports are supplementing and not supplanting domestic production.
3. Temporary short-term fluctuations in production and demand should not govern the establishment of import policy.
4. The voluntary oil imports program is acting as a brake on the rate of increase of oil imports.
5. Restrictions in petroleum imports are likely to jeopardize free access of American citizens to their oil concessions abroad.
6. The United States has been so thoroughly explored for oil that most major oil pools probably have already been discovered. Recent findings tend to be smaller and have higher cost per barrel.
7. Increase in oil reserves in the United States is not keeping pace with the increase in demand; we will have to depend more and more on foreign oil.

CONCLUSION

The Trade Agreements Act should be extended to insure continued domestic prosperity and national security.

TRADE AGREEMENTS LEGISLATION AND THE PETROLEUM INDUSTRY

1. PURPOSE AND ACCOMPLISHMENTS OF TRADE AGREEMENTS ACT

For more than 45 years Gulf Oil Corp. has engaged in foreign operations. It was one of the earliest of the American oil companies to enter Mexico, around 1912, and since that time its geologists and geophysicists have prospected for petroleum in many parts of the world. As a result, the corporation today has substantial oil production in Venezuela, Canada, Sicily, and the Middle East, and is in the process of developing discoveries in other countries. During much of the same period, Gulf has also made substantial investments in the construction and development of marketing facilities in many European and Latin American countries.

However, Gulf is by no means merely an American-owned company engaged in foreign operations. Traditionally it has maintained a position as a major petroleum producer in the United States, and by far the largest share of its investments in leases, land, and equipment needed to carry on its business as a producer, refiner, transporter, and marketer of petroleum and petroleum products has been made in the United States. It is thus a company engaged in both domestic and foreign trade, and this fact lays upon its management the necessity and duty of formulating, advocating, or supporting those policies which seem best calculated to promote and maintain the healthiest possible conditions for both foreign and domestic commerce. Because of the company's position, Gulf's

87,000 shareholding owners have a direct and real stake in any legislation affecting domestic or foreign trade, and because of its experience Gulf's management feels itself peculiarly well qualified to offer the observations and comment that follow.

Looking back, we find the legislation that initiated the reciprocal trade agreements program in 1934 stated its aims as follows:

"For the purpose of expanding foreign markets for the products of the United States, as a means of assisting in the present emergency in restoring the American standard of living and overcoming domestic unemployment and the present economic depression, in increasing the purchasing power of the American public."

The reciprocal trade agreements, together with other programs, have proven remarkably successful in achieving these objectives. They have been valuable and helpful through subsequent economic recessions (although no depression has occurred since), through World War II, through the Korean war, and in the period of uneasy peace and cold war following World War II. The objectives of the foreign economic policy, including the reciprocal trade agreements, have been broadened to include contributions to the rebuilding of our Allies, to strengthening the economic health of the free world and to preserving their freedom from Communist subversion.

Of course, many influences have contributed to the increase in United States exports and in free world trade, and the exact contribution of each cannot be precisely determined, but the fact remains that a very large degree of success has been attained. Public opinion in the United States, and particularly in the trading community abroad, attributes a large part of this success and the growing prosperity of the free world to the leadership which the United States has shown in reducing tariffs and removing other impediments to trade on a reciprocal basis through the trade agreements acts. From time to time the acts have been extended and amended, including the addition of a peril-point procedure (first included in the Trade Agreement Act of 1948), which provided that trade commitments should not be made that may seriously injure domestic producers. In 1955, the national security amendment was added.

These changes have been for the purpose of insuring that excessive imports will not seriously injure any domestic industry. The national security provision emphasized this with respect to any industry vital to the national security. With these safeguards, there is no reason to believe that extension of the Reciprocal Trade Act would do harm to the objectives previously outlined. On the contrary, failure to extend this act could cause grave harm to the prosperity of ourselves and our Allies, and to the cohesion of the free world.

The most important reason and the summary of all reasons for extending the Recriprocal Trade Act is the great success which has attended the efforts of the United States to lead the free world toward increased trade, which has, in turn, helped to promote a mutual increase in prosperity, and a strengthened defense posture of all free nations. The Trade Agreements Act has served as a clear signal to all the world that our country wishes to encourage the growth of industry and trade between the nations. With it in operation, the war-damaged countries have recovered remarkably and world trade has reached new heights. Since the first act in 1934, United States exports have increased 800 percent, and imports about 700 percent, and foreign trade now gives employment to about 4½ million Americans.

A reversal of this policy would be a terrible blow to those nations that buy our goods as well as our supplying nations. It would lead to economic distress in countries which depend to any considerable extent on exports to the United States. It would bring about import and currency restrictions and discrimination in all countries which are short of foreign funds. Since dollars are the currency most in demand, these restrictions would fall more on United States exports than on any other. Therefore, if by failure to extend the Trade Agreements Act we embark on a policy of restricting trade, we will be responsible not only for economic distress in foreign countries but also in our own. A worldwide recession would be the most probable result. Our postwar trade policy has helped lift the hopes of the entire free world. It would be a terrible blow to the unity of the allied front toward the Soviet Union if we reversed our helpful policy by increasing trade restrictions.

This consideration is, and should remain, paramount. Trade is healthiest when all of those nations contributing to its flow are, each in its own way, enjoying the best of economic well-being. In any contemplation of a return to restrictive tariffs, however, there are other considerations of very considerable importance.

In the next place it should be recognized that, whatever mistakes may have been made, the general effect of the outright gifts under the foreign aid program have constituted a sort of strategic pump priming by which many nations have been helped to help themselves. As a result, the concept that lies behind the slogan, "Trade, not aid," is one of continuously increasing vitality. Nations, like individuals, have their pride; they can be expected to be grateful for help when help is most needed but they cannot be expected to stand forever with outstretched hand, mumbling apologetic thanks for whatever may be dropped into it. An increasing volume of international trade is the only alternative to outright giving. It is immediately beneficial to the traders, it creates mutual respect while promoting mutual self-esteem. It is the one base on which we can build strong and lasting friendships in a world where the need for such friendships is urgent. It is not necessary, it may not even be desirable, for trading nations to come to a meeting of minds on intellectual, political, or philosophical matters for the basic language of trade is older, and better understood than any other. Since even a completely altruistic United States, with its relatively small percent of the world's population and raw materials could not possibly hope to support the whole free world's economy indefinitely with gifts, and since the alternative is the promotion of trade, it follows that any moves now to raise restrictive barriers must serve to destroy the benefits we hoped to gain through foreign aid, and on which many billions of dollars have already been spent.

There is, finally, still another reason why a return to a high tariff policy, however selective it may be, would, at least by this time, be unwise. Our recent months through the development of common marketing areas and other types of pooling arrangements, European nations and industries have been showing a growing will to win for their products a larger share of those markets, such as Latin America, in which, due to the disruptions of World War II, they have been considerably displaced by United States products. This creates the prospect of intensely sharpened competition for United States exports, and it is axiomatic that competition thrives most where it is least trammeled. Historically, the raising of high tariff barriers by one country against the products of another inevitably invites retaliation. It would appear self-evident that a return to high tariffs by this country now can only result in a loss of some, and possibly of a very large amount, of the export trade the United States now enjoys.

Regardless of the arguments made by some industries, or individuals, in favor of increased tariff protection now, it would appear that the national welfare stands to be seriously, and possibly grievously harmed by an abandonment, or even a sweeping revision of the reciprocal trade program now in effect.

2. POSSIBLE ABUSE OF THE ESCAPE CLAUSES IN THE TRADE AGREEMENTS ACT

Since, at this stage of history a return to high tariffs would be assuredly harmful, and possibly disastrous, it will be useful to consider how the present laws may be modified to better accomplish the aims toward which they were originally directed.

The escape clauses which permit any industry that thinks it is threatened with injury due to imports to appeal to the Tariff Commission could be used to largely nullify any lifting of trade restrictions, depending on the manner in which the Tariff Commission and the President choose to interpret and administer the law. In 1955, the act authorized the President, whenever he deemed it necessary, to reduce the level of imports of a commodity whenever that level threatens national security. The Trade Agreements Extension Act of 1958 further modifies this point by including the so-called perfecting amendment. In order to avoid having these provisions used to nullify the act, Congress should include in the act a definition of injury and some basic criteria to be used in determining that an imported item is injurious either to a particular industry or to the national security.

Almost any imported item competes directly or indirectly with United States produced goods. Any increase in imports at all, therefore, could be interpreted as reducing the potential domestic business of United States firms. A basic criterion for determining injury to an industry should be that the sales of an industry are reduced in absolute terms, and not only as a percentage of the total domestic market. As long as an industry's total sales in the United States are increasing, or are not appreciably reduced, it should not be held that imports are seriously injuring the domestic industry.

Again, almost any item produced relates in some way to the national security. Loose interpretation of this term could readily nullify all the good effects hoped to be achieved through any Trade Agreements Act. Therefore, the law should contain some minimum criteria to be used in determining that an imported item threatens the national security. The party pleading for import restrictions on the basis of national security should be required to produce positive evidence showing:

(a) actual injury to a particular industry and to the Nation's defense potential due to the Trade Agreements Act, and

(b) that curtailment of the subject import will not prejudice the continued free access of United States citizens to essential raw materials which the United States will need to import in increasing quantities in the future.

With this positive definition included in the Trade Agreements Act, which is designed to facilitate rather than to restrict international trade, there is no reason to believe that its extension will not continue to provide the good results that have been obtained to date.

3. PETROLEUM IMPORTS

With respect to petroleum, the best method of handling the import situation is to permit imports and domestic production to share in the increasing demand. There is no question but that imports should supplement and not supplant domestic production. The only question lies in the interpretation of both supplement and supplant.

It would seem to be clear that so long as the domestic industry is increasing its production, imports are supplementing and not supplanting domestic production. This is true even though imports might be taking over a large part of the increase in demand and, therefore, could be increasing at a faster percentage rate than domestic production. This is illustrated by the changes in the petroleum situation 1957 over 1948. Domestic demand increased by 3,028,000 barrels daily. During the same period, United States production has increased by 2,057,000 barrels daily, while imports have increased by 1,012,000 barrels daily. It is apparent that the imports have not prevented a very healthy rate of growth in domestic production, which amounts to 85 percent in 9 years. This growth occurred in spite of the fact that imports increased by 197 percent, although, of course, the volume of import increase was only half the increase in domestic production. Under these conditions, it is impossible to hold that imports are injuring the domestic industry, or that through such injury imports are threatening the national security.

In determining whether or not domestic production is being reduced by increasing imports, short-term fluctuations in demand and those restrictions in production which are necessary to correct temporary excessive inventories resulting from previous excessive production, should not be taken into account. The petroleum industry is characterized by violent seasonal swings in demand and by widely varying demands from one winter season to the next, as one winter may be considerably warmer than another. After a warm winter, the industry is usually left with excessive inventories of finished products which must be liquidated by curtailment of production. Also, the conditions under which the industry works are such as to require considerable time to reduce excessive production rates, such as may occur in order to meet an unusual export demand. This occurred during the Suez Canal shutdown. Production and imports were maintained at unusually high levels for some time after the Suez Canal was reopened, resulting in a period of very heavy inventories. The industry is now undergoing a period of low production, and imports also are being voluntarily restricted in order to bring about a more normal inventory situation. This adjustment period has been relatively short, yet inventory levels are steadily improving. The fact domestic production is less than it was at this time last year should not be taken as proof of injury either to the domestic industry or to the national security. Only if the reduced production continued over a period of at least a year could this position of injury be supported, and current indications are that domestic production will reverse its down trend before the year is out.

The petroleum industry is undergoing another adjustment which will probably be of longer duration. In the 10 years ending in 1956, the United States domestic demand increased at an average rate of nearly 6 percent per year. This high rate of increase occurred because of the replacement of the United

States stock of automobiles after World War II, the substitution of oil for coal in home heating, and many other reasons, including the generally high levels of expansion in nearly all industries. Recently, trends indicate that the very large rate of increase in demand which was experienced in the postwar years is beginning to slow down. With a correspondingly lower increase in demand each year, it would be expected that both imports and production would increase at a slower rate than in recent years.

The President's Special (Cabinet) Committee to Investigate Crude Oil Imports proposed a plan of voluntary restriction of imports which already seems to be acting effectively as a brake on the rate of increase on imports. This plan was submitted to and approved by the President on July 29, 1957.

As an illustration of the effectiveness of this plan, recent reports show that all importers, including the major international oil companies, actually reduced their imports during the 4-month period, January 1958–April 1958, to a level some 50,000 barrels daily below the quotas established by the President's Special Committee. This reflects the good intentions of these companies as well as the fact that they all have large production in the United States and very large investments in the United States, which would not be in their interest to harm by importing at an excessive rate. Especially in view of this performance of the voluntary import program, there is no need to place further legal restrictions on the importation of petroleum.

In fact, any rigid restriction on the importation of petroleum, or any further curtailment in the rate of imports, would be very likely to harm the national security of the United States. Some proposed restrictions are aimed in a discriminatory manner at reducing petroleum imports from the Middle East. The proud and newly awakened nationals of Middle Eastern countries are certain to take offense at any discrimination. This could lead to the loss of our strategic position in the Arabian Peninsula, including the airbase at Dhahran. With the Middle East in such turmoil as a focal point of the cold war between the East and the West, and with the economy of our allies depending upon oil from the Middle East, we should under no circumstances take any action which might appear discriminatory.

There is no doubt that the production costs of imported oil from the Middle East and Venezuela are lower on the average than the production cost of oil in the United States. The imported oil tends to hold down the rate of increase in oil prices in the United States. The cost of finding oil in the United States is increasing, chiefly because the United States has been thoroughly explored and most of the easily accessible and prolific deposits of oil already have been tapped. New fields are discovered less often, and when discovered they are found to have small deposits of oil compared to the large fields discovered in the past. If the United States attempted to rely on its own oil exclusively, the price would necessarily increase very greatly, as a larger portion of the oil produced would have to come from high-cost, deeper wells tapping smaller deposits of oil.

It has been said by some of those opposing imports that all of the cost savings from this imported oil accrue to the profit of the major international oil companies. If this were true, then imported oil would not afford any price competition with domestic oil. However, it appears that at least some of the savings in cost of imported oil are passed on in one form or another to the consumer. In the recent hearings during September and October for increased oil imports before the Administrator of the voluntary oil import program, several companies testified to the Administrator that domestic oil could not compete in the east coast markets. They gave the Administrator estimates of the advantage of imported oil varying from 50 to 75 cents per barrel.

In calculating the cost of foreign oil, several major items must be taken into account in addition to the cost of developing the oilfield and lifting the oil from the ground. The payments to foreign governments, usually 50 percent of the difference between the lifting cost and the market price, are just as much a part of the cost as are the royalty payments in the United States. In addition, there are large transportation costs to move the oil over long distances to the United States. In the case of oil moving from the Middle East, which is the largest potential source of foreign oil, long-term charter rates for vessel transportation amount to well over a dollar a barrel.

Petroleum differs in a fundamental manner from most other imported materials. In some respects imported petroleum should not be called foreign oil. It is nearly all produced by American companies using a substantial amount of American labor and materials, from oil concessions which have been negotiated by American nationals, usually with foreign governments. The profits accrue to United States stockholders, and these profits then pay personal income taxes to the United States Government. If oil imports were drastically reduced, many of the United States nationals employed abroad would lose their jobs and be thrown on the United States employment market. Also, many United States independent businessmen who have gone into contracting for oil-well drilling in foreign countries would be forced to return home and compete with the contractors already operating in the United States. It can be seen from this that imports of petroleum do not represent cheap imports of foreign goods which are cheap because of low labor rates abroad. The relatively low prices of foreign oil occur because the United States has already discovered most of its low-cost, high-volume deposits of oil and the cost of discoveries from now on can be expected to increase.

The scarcity of good drilling sites is undoubtedly a major reason for a small decrease in the number of United States oil wells drilled in 1957 as compared to 1956. There are other reasons, including unusual weather in the spring, a rather abrupt increase in interest rates, and the tightening of money supplies. But there is increasing evidence that one of the most important reasons was merely the lack of drilling sites which appeared likely to hold enough oil to make it profitable to drill.

The difficulty and high cost of obtaining more oil in the United States makes it necessary for us to import a larger percentage of our total requirements. In spite of very intensive exploratory efforts, the new reserves discovered since 1946 have not kept pace with the growth in consumption. The ratio of reserves to consumption in 1946 was 13.4. By 1956 this had been reduced to 11.3. There have been so many oil wells drilled that our total reserves could be produced much faster than is now the case. Therefore, the so-called availability of petroleum is increasing and has been reported by some authorities to be upwards of 2 million barrels a day above the current producing rate. However, it is reserve supply and not the potential production rate which is most important to our national security. A farmer might have a well which he could completely empty within 1 day by installing larger pumps, but if he so emptied his well, he would be left without water. The important thing to the farmer would not be his maximum pumping rate for a short period, but how much water he had in his well in total. Likewise the important thing to the United States is the total reserves available for continued production over a long period of time.

A New York Times editorial recently stated: "There are many ways to encourage exploration for oil, whether by private or other interests. But every barrel of our oil used up is an irreplaceable resource gone forever, never again to be available for our future needs."

4. CONCLUSION

The Trade Agreements Act should be extended because it has proven every effective in promoting the prosperity and security of the United States and its allies. The escape clause should be better defined to set up specific criteria for determination of the peril point involving serious injury to domestic industry and a threat to the national security. These criteria are needed to avoid having all increases of imports prevented through abuse of the escape clauses, and thus to eliminate any possible good that could come from increasing imports and increasing world trade. With respect to extension of the Trade Agreements Act, the President stated: "If we fail in this (our trade policy), we may fail in all. Our domestic employment, our standard of living, our security, and the solidarity of the free world—all are involved."

With respect to petroleum, imports have not prevented the domestic producing industry from growing at a healthy rate. Petroleum importers have shown a willingness to cooperate in voluntary restraints on the rate of imports to cope with the recent slowing down in the rate of growth and consumption. Therefore, it could not be said that petroleum importers are threatening the domestic industry, and it would be most unwise to impose rigid restriction on imports through increased tariffs or other impediments to trade, such as rigid quotas.

It would be a calamity to the prosperity and to the defense, and therefore a threat to the very life of the United States, if through ill-advised restrictions on petroleum imports, free access should be denied to United States nationals to the huge deposits which their initiative, capital, and labor have developed in foreign countries. It would likewise be a calamity to the defense of the entire free world if through any discriminatory restrictions the stability and prosperity of the oil-producing countries from which we import should be threatened. Under present conditions of cold war, it is imperative to keep these countries in the camp of the free world.

This is especially true since it has proven impossible to discover new oil reserves in the United States in sufficient volume to maintain the ratio of reserve to consumption. In addition, for those scarce reserves which are now being discovered, the cost is high and a reasonable quantity of imports tends to hold the prices charged to civilian consumers and to the Defense Department at reasonable levels.

The United States has less than 15 percent of the free world's reserves of crude oil but has 55 percent of the consumption. In order to support the national economy and maintain the national security, we will inevitably depend more and more on imported petroleum.

United States petroleum imports, domestic demand, and production

[Thousands of barrels per day]

Year	United States total petroleum imports	United States domestic petroleum demand	United States production crude and natural gas liquids	Percent imports to—	
				United States domestic demand	United States production
1946	377	4,912	5,068	7.7	7.4
1947	437	5,453	5,450	8.0	8.0
1948	514	5,775	5,921	8.9	8.7
1949	645	5,803	5,477	11.1	11.8
1950	850	6,507	5,906	13.1	14.4
1951	844	7,041	6,719	12.0	12.6
1952	952	7,280	6,867	13.1	13.9
1953	1,004	7,604	7,111	13.6	14.5
1954	1,052	7,760	7,033	13.6	15.0
1955	1,248	8,460	7,578	14.8	16.5
1956	1,426	8,757	7,937	16.3	18.0
1957	1,536	8,803	7,978	17.3	19.1

Source: API Statistical Bulletin, vol. 38, No. 21, Apr. 23, 1957, U. S. Bureau of Mines, 1957 (partly estimated), reported in Platt's Oilgram News Service, Jan. 6, 1958.

United States petroleum reserves related to United States domestic consumption and production

[Million barrels]

Year	Reserves, end of year (1)	Total United States domestic demand (2)	Total United States production (3)	Ratio of reserves to—	
				United States domestic demand	United States production
1946	24,037	1,793	1,850	13.4	13.0
1947	24,742	1,990	1,989	12.4	12.4
1948	26,821	2,114	2,167	12.7	12.4
1949	28,379	2,118	1,999	13.4	14.2
1950	29,536	2,375	2,155	12.4	13.7
1951	32,193	2,570	2,452	12.5	13.1
1952	32,957	2,664	2,513	12.4	13.1
1953	34,353	2,775	2,596	12.4	13.2
1954	34,805	2,832	2,567	12.3	13.6
1955	35,451	3,088	2,766	11.5	12.8
1956	36,337	3,205	2,905	11.3	12.5

(1) Reserves are total liquid hydrocarbons, including crude oil and natural gas liquids.
(3) Total United States production includes crude oil and natural gas liquids.

Source: (1) AGA-API Proved Reserves of Crude Oil, Natural Gas Liquids & Natural Gas, Dec. 1956, vol. No. 11.
(2) API Statistical Bulletin, vol. 38, No. 21, Apr. 23, 1957.
(3) API Statistical Bulletin, vol. 38, No. 21, Apr. 23, 1957.

United States crude oil and natural gas liquids—Statistics on wells drilled, increase in reserves, etc.

Year	Wells drilled						Total footage drilled in United States, thousand feet	Average footage per well	Total wildcats drilled	Increase in reserves, crude plus natural gas liquids, thousand barrels	Increase in reserves, crude plus natural gas liquids		
	Oil	Distillate	Gas	Dry	Service	Total					Barrels per well drilled, all types	Barrels per wildcat well	Barrels per 1,000 feet drilled
1946	16,087	207	3,355	8,406	2,085	30,230	101,123	3,345	4,282	(1)	----	----	----
1947	17,613	283	3,437	9,751	2,093	33,147	112,516	3,404	4,953	704,881	21,265	141,457	6,248
1948	22,197	345	2,966	11,939	2,029	39,477	130,709	3,463	6,420	2,079,567	52,678	374,425	15,212
1949	21,415	378	3,121	12,808	1,150	38,962	138,617	3,558	6,782	1,567,274	39,969	229,652	11,224
1950	23,775	465	3,015	14,918	1,134	43,307	152,782	3,689	7,891	1,157,560	26,729	146,694	7,246
1951	23,532	344	3,198	17,497	1,426	45,996	176,757	3,843	9,778	2,656,572	57,757	271,689	15,030
1952	23,371	348	3,345	18,211	1,294	46,509	188,393	4,051	10,230	764,572	16,430	74,673	4,058
1953	25,251	374	3,858	18,759	1,228	49,480	198,432	4,010	10,743	1,426,545	28,811	132,696	7,184
1954	28,063	672	2,547	19,137	778	52,197	211,296	4,048	10,831	422,453	8,093	39,040	1,990
1955	30,474	709	3,460	20,564	672	55,879	228,530	4,090	11,601	645,532	11,552	55,645	2,825
1956	30,528	551	3,980	22,111	1,036	58,206	235,221	4,041	12,374	886,246	15,226	70,452	3,762

[1] Not available.

Source: World Oil, Feb. 15, 1957 (reserves: authority, API) (1956, AGA/API proved reserves of crude oil, natural gas liquids, and natural gas, Dec. 31, 1956, vol. 11).

Exports, imports, and gross national product, United States, 1934-57

Year	Billions of dollars			Index numbers		
	Exports	Imports	Gross national product	Exports	Imports	Gross national product
1934	2.1	1.6	65.0	100	100	100
1935	2.2	2.0	72.5	107	125	112
1936	2.4	2.4	82.7	115	148	127
1937	3.3	3.0	90.8	157	184	140
1938	3.1	1.9	85.2	146	119	131
1939	3.1	2.3	91.1	149	139	140
1940	3.9	2.5	100.6	187	155	155
1941	5.0	3.2	125.8	239	197	194
1942	8.0	2.8	159.1	381	169	245
1943	12.8	3.4	192.5	612	207	296
1944	14.2	3.9	211.4	674	237	325
1945	9.6	4.1	213.6	456	250	329
1946	9.5	4.8	209.2	452	293	322
1947	14.3	5.7	232.2	679	345	357
1948	12.5	7.1	257.3	597	434	396
1949	11.9	6.6	257.3	568	403	396
1950	10.1	8.7	285.1	483	534	439
1951	14.9	10.8	328.2	709	661	505
1952	15.0	10.7	345.4	717	657	531
1953	15.7	10.8	363.2	745	659	559
1954	15.0	10.2	361.2	713	620	556
1955	15.4	11.3	391.7	734	693	603
1956	[1] 18.8	12.5	414.7	897	764	638
1957 [2]	[1] 21.0	12.9	434.1	1,000	806	668
1957 [3]	19.6	12.9	434.1	933	806	668

[1] Includes mutual security program military shipments which totaled $1.7 billion in 1956, and $1.4 billion in 1957 (November-December estimated).
[2] 10 months actual. November and December estimated.
[3] Excludes MSP military shipments from exports.

Source: 1934-56, Compendium of Papers on United States Foreign Trade Policy, p. 244. Subcommittee on Foreign Trade Policy of the Committee on Ways and Means, released Oct. 10, 1957; 1956 [1] Survey of Current Business, February 1957; 1957 Survey of Current Business, December 1957.

INTERNATIONAL DISTRIBUTORS, INC.,
Memphis, Tenn., June 18, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SIR: We are manufacturers of household drugs and importers of needles, pins, small handtools and various notion and sundry items. Approximately 70 percent of our business is in merchandise of our own manufacture for domestic sale. Our firm is closely affiliated with Plough, Inc., of this city who is a manufacturer of nationally advertised drug and cosmetic products and who exports these products to 45 foreign countries.

In the interest of world trade and for the best interest of the greatest number of American people, we urge you to support the extension of the Reciprocal Trade Agreements Act, without crippling amendments, but with additional bargaining power. It does not seem conceivable to us that it is possible to further cut our imports without dangerously cutting our exports. In view of the fact that exportation of United States finished manufactured goods vastly exceeds United States importation of finished manufactured goods (approximately 4 to 1), we cannot believe that the extension of the Reciprocal Trade Agreements Act in materially its present form would be hurtful to our economy as a whole. Failure to do so would be helpful only to a small percentage of American manufacturers who wish to operate under the protection of an artificial trade barrier.

These are challenging facts, which can be easily and quickly verified by government economists:

Foreign trade supports more American people than the combined steel, chemical and automobile industries.

Our economy cannot be supported without an exchange of our exports for indispensable imports. Our imports provide the wherewithal.

How can we hold our leadership in world affairs if we act like an isolationist agrarian country trying to protect an infant manufacturing industry? Is it advisable to pour out military and economic aid to our allies with one hand and to cut their economic throats with the other hand, by failure to extend the Trade Agreements Act in very close to its present form?

We urge you to support the Reciprocal Trade Agreements Act for the best interest of all the American people.

Yours very truly,

ROBERT D. MOORE.

GREENMAN, SHEA & ZIMET,
New York, N. Y., June 19, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR BYRD: I am writing this letter in support of the reciprocal trade agreements bill recently passed by the House of Representatives. This bill appears to me as the most essential measure proposed by the administration to the present Congress.

The leaders of the Soviet Union have frankly avowed their economic offensive against the free world, and we have learned by experience that such statements by dictatorships cannot be safely ignored. To counter this Soviet threat, I believe that any American administration, Republican or Democratic, must have the freedom of action with regard to tariff matters which the reciprocal trade agreements bill gives.

Even were the Soviet Union to change its Government overnight, however, I believe the provisions of the reciprocal trade agreements bill should be enacted into law because I think they constitute a useful and valuable framework within which the economic policy of this country can be conducted. I am not one who believes that there is any threat to the American standard of living in increased trade with the rest of the world. On the contrary, I believe that an increasingly free interchange of goods will benefit the American consumer as well as American industry.

As a lifelong Republican, I welcome the point made by Adlai Stevenson that we Americans cannot afford to repeat the error of the Hawley-Smoot Tariff Act of 1930. It is precisely when clouds appear on the economic and financial horizons that we in the Western World must keep open the channels of trade rather than close them as we did in 1930 with resulting catastrophic effects, both economic and political.

Not every provision of the reciprocal trade agreements bill is unchangeable and I have no doubt that your committee may well make improvements in it. But its basic purpose of continuing the principles of the Reciprocal Trade Acts and of enabling the executive branch of the American Government to plan ahead for as much as 5 years seem to me to be principles which have proved most useful and I wish to add my voice to those of the many who urge the passage of this legislation upon you.

Yours very sincerely,

HENRY V. POOR.

LEXINGTON DEMOCRATIC CLUB,
NINTH ASSEMBLY DISTRICT,
New York, N. Y., June 23, 1958.

Hon. HARRY F. BYRD,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: The enclosed statement was recently adopted by the executive committee of the Lexington Democratic Club in support of H. R. 10368, the President's bill for renewal of the reciprocal trade agreements. It is our hope that the most substantial possible form of this legislation will not only receive your vote, but that it will benefit from the considerable respect and influence which you and your staff command on Capitol Hill.

Enlightened economic thinking, as well as free world security requirements, calls for bipartisan action on this bill. Your efforts on its behalf will crown with further distinction a career of politics and public service which has been motivated by the best interests of the Nation, rather than by party politics alone.

Thank you for your consideration.

Sincerely,

RICHARD S. LANE, *President.*

STATEMENT ON RECIPROCAL TRADE BY THE EXECUTIVE COMMITTEE, LEXINGTON DEMOCRATIC CLUB

Resolved, That the executive committee adopt the following statement in support of H. R. 10368 (the administration bill for trade agreements renewal) and in support of any further legislation appropriately designed to implement the principles underlying the reciprocal trade program:

The executive committee, even while it has serious reservations about the adequacy of H. R. 10368 as a free trade instrument, endorses this administration bill for extension of the reciprocal trade agreements. The executive committee regards the bill as essential to orderly functioning of the United States economy and to continued vigor within the trading community with which this country's well-being is intimately connected.

In recent years both industry and industrial labor in America have been increasingly involved with a high volume and velocity of import-export activity. Accordingly, the recessionary trends which now obtain in this country indicate Government stimulation of foreign trade, not inhibition in the name of protection.

This body notes a special need for renewal and extension of reciprocal trade between the United States and its traditional hemisphere allies. Latin America, where the United States position has already deteriorated, is now poised in anxiety lest its relations be disrupted with this country's producers and markets. Canada, a continental neighbor of increasing importance to American military arrangements, is similarly alarmed by the threat of contractions in her United States economic ties. Such a threat would inevitably follow in defeat of the pending legislation.

Finally, the executive committee of the Lexington Democratic Club respectfully calls to your attention the mounting Soviet trade offensive in the Asian and Middle Eastern areas. This is an offensive which the Soviet Union's Premier Khrushchev himself introduced to the United States in 1957 with the statement, "We declare war upon you * * * in the peaceful field of trade." Active trade is the one effective counter this country has to the Soviet "war." And insofar as H. R. 10368 represents a minimum American weapon for the impending campaigns, this body urges your support for the renewal legislation.

AMERICAN INDEPENDENT OIL CO.,
San Francisco, Calif., June 23, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

MY DEAR MR. BYRD: Your committee, I understand, is currently holding hearings on the trade agreements bill, H. R. 12591, recently passed by the House of Representatives. For the general welfare of our country, I respectfully submit it is vital that such legislation be acted upon favorably by your committee.

As you are well aware, the value and volume of United States exports and imports have greatly increased since the enactment of the reciprocal trade program in 1934. The continued expansion of such two-way trade is beneficial not only to our domestic economy as a whole but also to our allies overseas thereby minimizing their need for United States economic assistance.

We hear a great deal of Russia's launching of a trade offensive and of the apparent initial success of such efforts in the Middle East and elsewhere. A 5-year extension of our reciprocal trade program as contemplated by H. R. 12591 would do much to counter Russia's efforts to expand its trade at our expense.

Again, we point to the recent organization of West European nations into the European Economic Community with one of its avowed purposes the elimination of trade barriers between member countries. Certainly we should not force this organization, in self-protection, to adopt a policy of protectionism against the United States. On the contrary, Congress should provide the President with sufficient authority to negotiate desired tariff reductions.

I strongly urge your favorable consideration of the trade agreements bill.

Sincerely yours,

RALPH K. DAVIES.

COLLINS PINE CO.,
Portland, Oreg., June 25, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR: I am writing you for the record with respect to the national trade policy and the current controversy in Congress over liberalizing of trade barriers.

I think that our country is rapidly approaching a point where we can use to the fullest extent resources and products that other nations have to offer, at a general overall benefit to our population as a whole. It undoubtedly will make it difficult, for this industry, or that, but our American economy has certainly demonstrated in the past that it is sufficiently flexible to adjust rather rapidly to situations of this kind that may arise.

I am sorry to note from time to time that many businessmen are wholeheartedly in favor of lowering tariff barriers as long as they are not lowered in their particular industry. As a lumberman, I think I am honest in saying that I would be perfectly willing to see what limited barriers there are, in our industry, entirely eliminated. It would make us scratch a little harder, but it would also make available important resources from other countries to our people at slightly lower prices—to say nothing of the more friendly relations it would create with other nations.

Any lessening of trade barriers can do nothing but strengthen the West in its intense competition with the Communist bloc. I heartily approve the 5-year extension of the Reciprocal Trade Agreements Act, and I fervently hope that you favor easing of trade barriers.

Respectfully yours,

TRUMAN W. COLLINS, *President.*

THE BETTINGER CORP.,
Waltham, Mass., June 23, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: Through this statement I would like to express my support for a strong renewal of the Trade Agreements Act—at least the kind of renewal called for in the bill that has passed the House of Representatives and is now before the Senate.

By way of background for my interest in this subject: I am the president of the Bettinger Corp., with headquarters in Waltham, Mass. We have seven foreign associated companies. Our philosophy and policy in dealing in other countries was written up by the National Industrial Conference Board. I dealt with representatives of Allied countries during the war (I was military secretary of the Canadian Munitions Assignment Committee; I was in the Canadian Army). Incidentally, I am currently chairman of the board and president of a Canadian firm, also. Although I am expressing only my personal views here, I am currently the president of the Young Presidents' Organization. This is an international group of heads of corporations—primarily in the United States but, more recently, many members are joining from other countries in the world. am a director of Private Enterprise, Inc., which recently has received so much publicity regarding its effectiveness in fighting communism in places such as India, by demonstrating free enterprise—investing in, with materials, small industry in those countries.

The foreign trade policy we need must be one that fosters an expansion of the Nation's foreign trade. The expansion of both imports and exports—which is what expansion of foreign trade necessarily means—is essential to the sustained, rapid growth of the American economy. It is also important to recognize that one of dimensions of sound economic development in our own country is a healthy economy in the rest of the free world. There are many ways in which the United States has been assisting in the development of more soundly based economies in those countries. The most important contribution we can make is the continuation of a trade policy that gives private enterprise throughout the free world an opportunity to expand its trade and therefore its production.

Such an expansion of trade has implications that transcend the advantages of ever-rising level of two-way trade. It also contributes to the expansion of international private investment, which has played an important role—and can play an even greater role—in the development of the kind of world economy in which the American people can expect to preserve their economic and political achievements and can make that record even more impressive.

Those American firms that invest abroad, helping to develop the skills and resources of those areas and hence to develop new markets for American goods, want to realize a dollar return on their investments. If they should want to withdraw their investment someday, they would want to sell it for dollars. There are indeed many sources of dollar income for foreign countries, but none is more important than the dollars those countries earn from exports to the United States. It would be a serious mistake—a shortsighted view of our economic needs—if the Senate were to add new trade restrictions to a bill that is already laden with many weapening amendments that have been added to the Trade Agreements Act over the years.

I would like to emphasize the importance of a 5-year extension. It is necessary if we are to give a fast-moving world a clear, forthright expression of what the United States wants its foreign trade policy to be. It is necessary if we are to plan effectively, in a business-like manner, to negotiate with the European Common Market in an effort to get those countries to reduce their external tariffs (affecting our exports) in phase with the reductions that will be taking place in their internal tariffs (affecting trade among the member countries).

The trade policy legislation we need must reflect our national capabilities. It must meet our national needs. The administration-approved bill now before you—H. R. 12591—is a minimum requirement if those standards are to be met. I urge the Members of the Senate to support it.

Sincerely yours,

ROBERT A. WEAVER, Jr.

WHITE PLAINS, N. Y.

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.:

Urge renewal for 5 years of Reciprocal Trade Agreements Act without restrictive amendments. Please make this request part of your committee record.

GEORGE D. BRYSON,
Vice President, General Foods Corp.

STATEMENT BY THE UNITED STATES CUBAN SUGAR COUNCIL

SUMMARY

The United States Cuban Sugar Council strongly favors a 5-year extension of the Reciprocal Trade Agreements Act, as a means of facilitating the expansion of the foreign trade of the United States.

However, section 3 (a) (1) of H. R. 12591, as passed by the House of Representatives, which would permit rates of duty on United States imports to be raised 50 percent above the high rates established by the Tariff Act of 1930, is inconsistent with the objectives of the reciprocal trade program and the council urges that it be deleted from the bill.

Cuba was the first country to enter into a reciprocal trade agreement with the United States. The increase in the volume of trade between the two countries provides a convincing demonstration of the value of the trade agreements program.

The United States Cuban Sugar Council is composed of a group of companies which own or operate sugar properties in Cuba, the stockholders of which are predominantly United States citizens. The securities of nine of these companies are listed on securities exchanges in the United States, and their shares are widely distributed among investors in this country. These companies account for approximately 35 percent of the total output of sugar in Cuba. The names of the companies are listed at the end of this statement.

RECIPROCAL TRADE AGREEMENTS ACT SHOULD BE EXTENDED AS RECOMMENDED BY THE PRESIDENT

The United States Cuban Sugar Council, as it has on former occasions when the Reciprocal Trade Agreements Act was before this committee for renewal, strongly urges that the act be extended for 5 years. Such an extension, as provided in H. R. 12591, will facilitate this country's efforts to expand its foreign trade in ways that will prove beneficial to the United States and other nations of the free world.

Section 3 (a) (1) of H. R. 12591, however, is highly objectionable and the council urges that it not be enacted into law. This section would make it possible for the rate of duty on products imported into the United States to be raised 50 percent above the inordinately high rates established by the Tariff Act of 1930. Such a provision is inconsistent with the remainder of H. R. 12591 and with any program designed to facilitate the expansion of United States foreign trade. If it becomes law it will raise serious doubts in friendly countries of the sincerity of United States efforts to expand foreign trade.

UNITED STATES-CUBAN EXPERIENCE DEMONSTRATES VALUE OF RECIPROCAL TRADE PROGRAM

The increase in volume of trade between the United States and Cuba since 1934, when the first agreement, that with Cuba, became effective, provides a convincing demonstration of the value of the trade agreements program.

In 1941, before this country became actively engaged in World War II, the value of United States exports to Cuba was about 177 percent above the 1934 figure. During the same period, the value of United States imports from Cuba increased about 129 percent.

In the 23 years from 1934 to 1957, the value of United States exports to Cuba multiplied more than 13 times, and the value of imports from Cuba about 6 times. In 1957, United States exports to Cuba were valued at approximately $618 million and imports from Cuba at $478 million. The value of United States exports to Cuba exceeded that of imports from Cuba by $28 million in 1954, $29 million in 1955, $55 million in 1956, and $140 million in 1957.

These important increases in trade occurred in spite of the fact that during most of the 23-year period United States imports of sugar from Cuba were restricted by quotas established by legislation dating from 1934. Trade with Cuba increased most rapidly from 1942 through 1947, when sugar quotas were suspended.

During this war period, United States consumers suffered from a shortage of sugar. In an effort to alleviate this shortage, the United States Government urgently requested increased production from growers in all areas supplying this market. Producers in Cuba were the only ones to respond with a substantial increase. The large 1947 crop in Cuba was the major factor enabling the United States to end sugar rationing that year. The bulk of this crop was sold by Cuba to the United States at a price substantially below prices quoted for sugar sold to buyers from other countries.

Also, the larger sales of Cuban sugar in the United States from 1942 through 1947 increased Cuba's ability to buy from this country, and United States exports to Cuba increased substantially.

The volume of trade between the two countries has remained at a high level since quotas on sugar were reestablished in 1948. The value of United States trade with Cuba, by years, from 1931 through 1957, was as follows:

[Thousand dollars]

Year	Exports to Cuba	Imports from Cuba	Year	Exports to Cuba	Imports from Cuba
1931	46,964	90,059	1945	195,758	337,569
1932	28,755	58,330	1946	271,836	324,418
1933	25,093	58,499	1947	491,843	509,624
1934	45,323	78,929	1948	440,966	374,990
1935	60,139	104,303	1949	390,282	387,640
1936	67,421	127,475	1950	456,173	406,404
1937	92,263	148,045	1951	539,809	417,762
1938	76,331	105,691	1952	515,884	430,814
1939	81,646	104,930	1953	426,607	431,105
1940	84,693	105,425	1954	429,260	401,342
1941	125,766	181,061	1955	451,121	421,655
1942	133,230	161,043	1956	511,474	456,820
1943	133,937	291,838	1957	617,535	477,749
1944	167,371	386,990			

INCREASED EXPORTS TO CUBA BENEFIT EVERY SECTION OF THE UNITED STATES

United States exports to Cuba cover a wide range of farm and factory products, one or more of which is produced in every section of this country. Products purchased by Cubans in large volume, and the increase in these purchases between 1934 and 1957 include:

Number of times United States exports to Cuba multiplied, 1934 to 1956

Product:	
Rice	3,402
Fruits and vegetables	25
Lard	14
Wheat flour	2
Other vegetable foods and beverages	30
Machinery and vehicles	40
Rayon and other synthetic fibers	10
Chemicals and related products	10
Iron and steel products	10
Cotton manufactures	3

In 1957, Cubans purchased about $40 million worth of United States rice, which amounted to approximately 15 percent of this country's production and 26 percent of its total rice exports. More than half of the rice produced in the United States in 1957 was exported.

The Cuban market for rice is, therefore, of great importance to farmers in Louisiana, Texas, Arkansas, Mississippi, and California, where nearly all United States rice is grown. The farm value of rice in Louisiana exceeds that of sugarcane.

United States exports of machinery and vehicles to Cuba were valued at $100 million in 1957. Automobiles, trucks, and tractors were among the items in this group which the Cubans purchased in large quantities.

The sale of synthetic textile products to Cuba has also become of increasing importance to producers in this country. Cuban purchases of $14 million worth of these products in 1957 were larger than those of any other country, except Canada. In addition, Cubans purchased $30 million worth of United States cotton and cotton textiles in 1957.

CUBAN SUGAR ESSENTIAL TO UNITED STATES CONSUMERS

The value of United States imports from Cuba increased from about $70 million in 1934 to $478 million in 1957. Sugar has accounted for the largest share of this increase, rising in value from $55 million in 1934 to $330 million in 1957. The quantity of sugar received from Cuba was 68 percent larger in 1957 than in 1934. Even so, the quantity imported from Cuba in 1957 was about one-half million tons smaller than the average annual receipts of sugar from Cuba during the 1920's, prior to imposition of the high rate of duty established by the Tariff Act of 1930. Imports were greatly reduced under the Tariff Act of 1930 and under the sugar quota system established in 1934 have not regained the volume of the 1920's in spite of greatly increased sugar consumption in the United States in the last 25 years.

The increase in the price of sugar to United States consumers from 1934 to 1956 was substantially less than the average increase in prices of all foods in the United States. The increased quantity of sugar imported into the United States, although limited by quotas except during World War II, has been of great value to consumers here, assuring them of an adequate supply at reasonable prices. During World War II, and for a year or more following the outbreak of war in Korea, it was indispensable, and saved this country from real sugar famines.

CONCESSIONS MADE BY BOTH NATIONS IN THE INTEREST OF INCREASED TRADE

Many important concessions by Cuba to the United States, as well as by the United States to Cuba, are included in the General Agreement on Tariffs and Trade, of which the United States-Cuban agreement is a part. The concessions which Cuba made in this agreement covered commodities which accounted for about 95 percent of the total value of Cuba's imports from the United States in 1939. The major item on which the United States has granted a concession to

Cuba is sugar, which accounts for approximately three-fourths of all United States imports from Cuba. The effect of the reduction in the tariff on sugar from Cuba has been limited by the imposition of quantitative quotas. However, the lower tariff has increased the returns to Cubans from the sale of the limited quantity of sugar they have been permitted to send here and this in turn has increased Cuban purchasing power for United States products.

Cuba is currently engaged in revising its tariff laws and will shortly be negotiating with the the United States concerning proposed changes applicable to United States products. It is important that the United States remain in a position to negotiate effectively, as provided for in the Reciprocal Trade Agreements Act, so as to facilitate further increases in trade between the two countries.

A further expansion of trade between the United States and Cuba would provide an outlet for increased quantities of the many farm and factory products sold to Cuba, and further safeguard future supplies of sugar for United States consumers. Larger sales to Cuba would benefit agriculture, industry, and labor in all sections of the United States.

CONCLUSIONS

1. The trade agreement with Cuba is a good example of the value of the Reciprocal Trade Agreements Act. This has been amply demonstrated by the increase in the volume of trade between the two countries since 1934.

2. The agreement with Cuba is also a good example of increased trade resulting from concessions made by both nations. The agreement has not been a one-way street.

3. Increased exports to Cuba, and to other nations, since 1934 have benefited the producers of one or more products in every section of the United States.

4. Further increases in trade with Cubr, and with other countries, would be of obvious and lasting benefit to the United States by increasing both the supply of needed imports, and the ability of people in other countries to purchase our exports, thus helping to improve standards of living and combat communism throughout the free world.

In view of these facts, the council strongly urges the extension, with the exception of section 3 (a) (1), of the Reciprocal Trade Agreements Act, as recommended by the President and provided in H. R. 12591.

Respectfully submitted.

UNITED STATES CUBAN SUGAR COUNCIL,
By LAURENCE A. CROSBY, *Chairman.*

Members of the council: Central Altagracia Sugar Co., Cuban Atlantic Sugar Co., Manati Sugar Co., Miranda Sugar Co., Punta Alegre Sugar Corp., the American Sugar Refining Co., the Cuban-American Sugar Co., the Francisco Sugar Co., the New Tuinucu Sugar Co., United Fruit Co., Vertientes-Camaguey Sugar Co.

AMERICAN WATCH ASSOCIATION, INC.,
Washington, D. C., July 2, 1958.

Hon. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: In connection with the hearings being held by the Senate Finance Committee on H. R. 12591, I should like to file this statement for the record on behalf of the American Watch Association, Inc. Our association is composed of more than 50 leading American importers and assemblers of watches and watch movements.

The American Watch Association is, indeed, pleased to lend its support to those who are fighting for legislation which will pave the way for an expansion of trade between the United States and other nations of the free world. In our opinion, a revitalized trade-agreements program—a program which places emphasis on the encouragement of international trade rather than the protection of domestic industries from foreign competition—is an absolute necessity if America is to face up to its obligations of world leadership.

While the watch industry is relatively small, compared with many of America's basic industries, we feel that we can speak with a certain degree of authority on the subject of international trade. In fact, the watch industry represents a unique case history of varying experiences under the reciprocal trade-agreements program.

Our industry was one of the first to receive lower duties when the United States-Swiss trade agreement was signed in 1936; it was also one of the first to have higher tariffs reinstated under an escape-clause proceeding in 1954. Further, the domestic watch-manufacturing industry was the first to be singled out by the Office of Defense Mobilization as allegedly essential to national defense; it was also the first to have such a stamp of essentiality removed when ODM reviewed its earlier ruling and reversed itself in February of this year. And, finally, as an indication of our rather complete history in these matters, the importing segment of our industry has been subjected to some rather unique types of administrative rulings which have threatened to pervert the tariff statutes into instruments of protection far beyond the obvious intent of the Congress.

So we feel that we possess a background of both varied an significant experiences under the trade-agreements program, and that the results of our experiences may prove of genuine value to the Congress in helping to determine the future course of America's foreign economic policy.

We want to make it clear, however, that our purpose in reviewing some of the recent history of our industry is not to seek special benefits for watch-importing firms or to continue the longstanding disputes over watch tariffs and customs regulations. Our fervent hope, in fact, is that such disputes within our industry are at an end. Rather, we would like to review some of the recent experiences of our industry because we believe they provide a practical guide to the Congress concerning the type of foreign-trade legislation required at the present time.

We think it is fair to say thrt the watch industry represents an outstanding illustration of the mutual benefits that accrue to the people of the United States and to those overseas when barriers to international commerce are lowered—and, also, of the hardships that ensue when tariffs are raised.

Since the signing of the United States-Swiss trade agreement in 1936, there has been a steady increase in the flow of two-way trade between these countries. The United States has been the prime beneficiary of this stimulated commerce, since an unfavorable balance of trade during the thirties has been converted into a sizable surplus of United States exports over imports.

During the postwar period, the cumulative total of goods exchanged between the United States and Switzerland has been in excess of $3 billion, with a trade balance in favor of the United States of more than $360 million. And it must be remembered that Switzerland has paid for these goods in hard cash, without the aid of any grants or loan by our Government. Indeed, Switzerland has become America's best cash cutomer in Europe, and the commerce between the two countries is a prime example of true trade reciprocity.

A survey was recently published under the auspices of the American Society for Friendship with Switzerland, entitled "All 48 States Participated in the Record United States Sales to Switzerland in 1956." We should like to submit for the record the results of this survey at this point (printed in the hearings by the House Ways and Means Committee, pp. 1006–12) because they dramatically demonstrate how the sale of Swiss watches, watch movements and other products in this country has made possible tremendous United States exports of machinery, transportation equipment, chemicals, oil and coal, agricultural commodities, and a host of other items from every State in the Nation.

From the standpoint of the watch industry and its customers, the United States-Swiss trade agreement also brought enormous benefits. It resulted in the introduction into the United States market of a wide variety of products and styles, pioneered by the Swiss, such as self-winding movements, alarm watches, calendar watches, chronographs, etc. And it also resulted in a greater degree of competition for watches of all types and qualities, to the enormous benefit of the American consumer. As a result, demand for watches and clocks has increased greatly through the years.

The sale of jeweled-lever watches in this country, for example, increased by nearly 700 percent during the 20-year period following the signing of the trade agreement with Switzerland. A large proportion of this increase was absorbed by imported movements, particularly those movements which contained special features not produced in this country; but the domestic jeweled watch manufacturers also shared in the increase. Their production in 1956, for example, was more than 2½ times as large as the annual output during the 5-year period preceding the trade agreement and 23 percent above the average of the years 1936–40.

This expansion in the market for jeweled-lever watches has been abruptly halted by the President's action in 1954, raising duties by 50 percent, and by other administrative moves aimed at increasing the barriers to watch imports. In this regard, it is highly significant that in the 2 calendar years following the tariff increase (1955-56) the sales of jeweled-lever watches containing imported movements dropped by 29 percent compared with the 2 years preceding the President's action (1952-53). Interestingly, the sale of domestically manufactured jeweled-lever watches also dropped following the tariff increase by 16 percent during this same period. To us, this indicates clearly that efforts to help a domestic industry by methods which are intended merely to injure its import competition cannot be effective. Far from stimulating the domestic firms, it will encourage them to sit back and rely on the Government to bail them out of their difficulties.

It goes without saying, of course, that we believe quite firmly that the administration has made a serious mistake in judgment in trying to curtail watch imports and that these errors should be promptly corrected—particularly in view of the recent ODM acknowledgment that the domestic watch manufacturers are not essential to the national security.

We have related the experiences of the watch industry, however, not for the purpose of continuing our public dispute with the domestic watch manufacturers, but to illustrate some basic convictions which we possess concerning the Trade Agreements Act and the administration's proposals for its extension. We feel quite strongly that the trade-agreements program is in serious danger of being converted from a method by which tariff barriers are to be lowered into a device for protecting American industry from all successful import competition.

In our opinion, although the House-approved bill has some excellent features, such as its 5-year extension of the program and its permissive tariff-reduction provisions, it also contains new amendments to the act which could prove to be major steps in the direction of perverting the true purposes of reciprocal trade. Of course, these current amendments cannot be viewed in isolation from recent history but must be considered in the light of other weakening amendments which have been introduced during the past 10 years, as well as administrative actions which have been taken during this period.

To illustrate why we are deeply concerned over the possibility that new protectionist devices will be added to those already in effect, we should like to review the two experiences of the watch importer-assembler industry, in 1952 and 1954, under the escape clause. In 1952, the Tariff Commission first recommended such relief for the domestic watch manufacturers. This was the third case in which the Commission had ever recommended escape-clause relief for any domestic industry, and it was the first major instance. President Truman rejected that recommendation. In 1954 relief was again recommended by the Commission, and this time President Eisenhower invoked the escape clause, proclaiming an increase of duties on imported watches of 50 percent.

Our comments about the escape clause are addressed not to the question of whether there should be an escape clause in our trade legislation but rather to the question of what are appropriate criteria for deciding escape clause cases.

The escape clause as first introduced in 1947 by Executive order and the legislative escape clause contained in the Trade Agreements Extension Act of 1951 both set down certain criteria. They called for evidence: (1) that there has been an increase in imports; (2) that the increase in imports bears some causal connection to the tariff concession granted on the imported product; (3) that the increase in imports bears a causal connection to the serious injury which the domestic industry is experiencing or with which it is threatened; and (4) that the domestic industry is producing a product which is like or directly competitive with the imports that have increased.

Based on our experiences, we are convinced that the Tariff Commission has not devoted sufficient attention in its escape clause considerations to several of these criteria, including, for example, the second mentioned above; i. e., whether there is, in fact, a casual connection between the granting of a tariff concession and subsequent increases in imports. Clearly, it is not enough to show that imports have increased, even relative to domestic production, after the granting of a tariff concession in a trade agreement.

We believe, for example, that the increase in imports of watch movements since 1936 must, in substantial degree, be ascribed to factors other than the reduction in duties provided in the United States-Swiss Trade Agreement. The rise in consumer demand for watches containing imported movements has been caused essentially by the fact that (*a*) considerable numbers of new models and styles of watches have been developed by the Swiss and are produced only by them; (*b*) Swiss manufacturers and American importer-assemblers have been more sensitive to design and styling trends preferred by United States customers; and (*c*) American importer-assemblers have engaged in sales promotion work of an outstanding nature.

The net effect of all this effort, as well as the population growth and the unprecedented prosperity following World War II, has been the enlargement of the entire watch market in the United States. As previously mentioned, the domestic manufacturers have benefited by this enlargement of the market, even though it is apparent that their participation has been smaller than would have been the case if they had keyed their production and merchandising techniques to the recognized preferences of their customers, and if they had offered styles and models comparable to those placed on the market by their Swiss competitors. Because the Tariff Commission failed to recognize that it was these factors, rather than the 1936 tariff reduction, which created an increase in watch imports, the Commission also misjudged the effect of an escape-clause action rescinding the concession.

The Tariff Commission has also been unable to deal successfully with the problem of determining what constitutes serious injury, which is a key phase of the third criterion listed above. In the first watch escape-clause case, three of the Commissioners evolved the "share of the market" doctrine as the test of serious injury. This was a unique departure, and it was rejected by President Truman. The following quotation from the President's statement is appropriate:

"Because of the dangerous precedent which would be involved in accepting this share doctrine as the determinant of serious injury, I should like to emphasize its far-reaching implications. Serious injury, by any definition, means a loss to someone. Declining production, lower employment, lower wages, lower rates or losses of capital investment—any of these things might indicate some degree of injury. But the share doctrine goes much further. In fact, it finds that serious injury exists when the domestic industry fails to gain something it never had, even though the industry may be prospering by all the customary standards of levels of production, profits, wages, and employment."

In its 1954 decision the Commission introduced still another basis for determining serious injury, namely, a segmentation of the watch industry which resulted in separating out for consideration only the watch-manufacturing activities of the domestic industry. The total performance of the industry was not taken into consideration. Had the Commission concerned itself with the condition of the industry as a whole, the judgment of serious injury could not have been supported since, in 1953, the domestic watch manufacturers enjoyed a peak level of sales and earnings.

In its 1954 findings, the Tariff Commission also failed to establish whether, in fact, a causal connection actually existed between increased imports and the injury that was judged to exist. Increasing imports were assumed, ipso facto, to be a prime cause of injury despite the fact that other developments were taking place in the domestic industry which were far more significant than the rise in imports. One can, for example, point to such developments as the domestic manufacturers' diversification programs, which required a concentration of their financial and managerial resources in nonwatch fields and thereby tended to increase their technological lag in horological design and production; their efforts to engage in defense production, again to the neglect of their watchmaking operations; and the increase in imports of watch movements by the domestic manufacturers.

Thus, our industry's experience with the administration of the escape clause reflects important changes in escape-clause criteria incident to its administration over the years. Two of the changes, discussed above, are of particular importance because the 1955 amendment to the escape clause has given them legislative recognition. The first is that of segmenting an industry for purposes of determining injury, and the second is the diminution in the causal role that increased imports must play in respect to the injury that has been judged to exist.

The concept of segmentation is a particularly serious innovation since it multiplies the number of potential escape clause actions which are brought before the Tariff Commission and thus paves the way for a broad undermining of the objectives of the reciprocal trade program. In today's dynamic industrial economy, there is a growing trend toward diversification of companies into many fields. By adopting the segmentation concept, the Government has, in effect, agreed to consider use of the escape clause device as a method of assuring every company that each field in which it is operating shall either be profitable or shall be protected against foreign competition.

When the law not only segments an industry for escape clause purposes but also permits loose criteria with respect to the role of imports as a cause of injury, there is a continual threat of higher tariffs. Under these conditions, the very pressure of import competition in an unprofitable segment of a company's operations may be considered sufficient ground for withdrawing or modifying a tariff concession, no matter how slight an adjustment in its operations would be required for the domestic firm to meet the problem.

In his report to the House on the work of the conference committee on the Trade Agreements Extension Act of 1955, the late Congressman Jere Cooper offered some very pertinent observations on the implications of the amendments to the escape clause that were adopted. One observation, quoted below, has been especially emphasized by the experience of the watch importer-assembler industry:

"Obviously, it would not serve the interests of an industry petitioning for relief if a tariff concession was modified as a result of an escape-clause procedure when imports were of minor significance in causing the injury that they were complaining about, and when any change in the volume of imports would be of little remedial significance to the economic situation obtaining in the industry. For example, if it should be found that increased imports account for only 5 percent of the injury to an industry and other factors—such as a change in fashion or consumer preference—account for 95 percent of the injury, then escape-clause action could solve only 5 percent of the problem, and even that remedy would probably be at best short lived."

These observations and comments about the escape clause suggest the need for a careful redefinition of its present criteria in the light of economic realities as well as the basic purposes and objectives of the Trade Agreements Act as stated in the law. It is important that these criteria be made explicit as part of the legislation. Our recommendations are the following:

(1) The escape clause should not be an easy vehicle for withdrawing or modifying tariff concessions made in trade agreements, but should merely perform the function, where there are no promising alternatives, of providing a cushion for sudden changes in imports which create serious economic dislocation for an American industry. Provision should be made that, once a concession is modified or withdrawn, the higher duty should apply for a fixed period of time. After that period of time elapses, the higher duty will no longer remain in force except as a result of a new reappraisal by the Tariff Commission of the facts of the case.

(2) The definition of the terms "serious injury" and "industry" should be clarified, and the concept of segmentation for purposes of determining injury should be rejected.

(3) The casual sequence between tariff concession, increased imports, and injury to the American industry should be made clear and explicit. Congress should require the Tariff Commission to determine that (*a*) the injury or threat of injury which is judged to exist actually stems from increased imports, rather than other causes; and (*b*) the increase in imports is attributable to a tariff concession rather than other factors.

(4) Provision should be made that whenever the Tariff Commission recommends a withdrawal or modification of a concession, it must explain the basis of its judgment as to whether such action would, in fact, serve to relieve the serious injury which either threatens or is actually being experienced by the domestic industry.

(5) The ultimate responsibility for final judgment with respect to the invocation of the escape clause must continue to lie with the President. It is important that the Congress appreciate the need for the continued exercise of discretion by the President.

These suggestions are particularly important in light of the new provisions in the House-approved bill, particularly the amendment which would permit tariff increases in escape-clause proceedings to be based on 1934, rather than 1945, rates. Appendix A, attached, presents a schedule showing what could happen to watch duties under such an amendment. It will be seen that duty increases on various watch items could range from 50 to 300 percent over the present rates which, of course, were increased by approximately 50 percent only 4 years ago. To cite a typical example, a man's 17-jewel, self-winding movement now dutiable at $8.45 could be dutiable at a rate as high as $6.07½ under the administration's suggested revision. Before the President raised watch duties in 1954, such a movement could have entered the country for $2.30.

Obviously, most other industries, which have not been subjected to a recent boost in duties, could be affected even more drastically by this proposal.

It is clear, in fact, that the new amendment would permit the imposition of prohibitive duties on virtually any products which are successfully imported into the United States. How could any overseas industry be expected to spend the sizable time and money necessary to build markets in this country when it knew that it would be stymied if its efforts happened to be successful. Surely, such a provision would be directly contrary to our basic policy of stimulating trade. We urge the Congress to reject this unwise amendment.

We should now like to discuss briefly the so-called defense essentially features of the trade-agreements program. Here again, we believe that our experiences are highly pertinent to the consideration of the Congress because few, if any, other industries have been in the vortex of defense essentiality disputes for such a long time and with such a variety of results.

Our industry has been subjected to two investigations by the Office of Defense Mobilization with regard to the alleged essentiality of the domestic watch manufacturers to the national security. The first inquiry, in 1954, resulted in a finding that the domestic jeweled watch manufacturers were vital to defense and that steps should be taken by the Government to maintain annual watch production at a high minimum level. This finding was unquestionably instrumental in persuading President Eisenhower to raise duties on imported watch movements in July 1954, and also led to a series of other administrative harassments of watch importers by the executive branch.

A second and far more comprehensive examination of this problem, which was concluded by ODM in February of this year, reached diametrically opposite conclusions. As a result, it has now been firmly and officially recognized by the Government that watch imports do not threaten to impair the national security.

It is interesting to contemplate how the same Government agency could have reached such contradictory conclusions within such a short period of time. The answer, we believe, can be found in the fact that, in 1954, there was a complete lack of criteria, accepted by various responsible executive departments and agencies, for judging whether or not an industry is essential to national defense. Furthermore, this important gap was not corrected the following year when Congress incorporated the defense essentiality concept into the trade agreements statute, but failed to establish clear and logical standards on which to judge such issues.

The dangers inherent in this lack of consistent criteria was emphasized in a report published in July 1956 by the Foreign Economic Policy Subcommittee of the Joint Economic Committee. This group had conducted a comprehensive study of the problems posed by appeals for protection from import competition based on grounds of national security, using the 1954 ODM action involving the watch industry as a case study. The subcommittee report commented as follows on the need for consistent standards for judging defense essentiality appeals:

"Certainly policies related to national security, mobilization, and defense essentiality must be coordinated at the very highest levels of Government. Every department must be working from the same premises if the actions of all are to fit into a meaningful pattern. It seems very clear that there have been obvious conflicts in previous consideration of the problems of foreign economic policy and of national security. * * * In the watch industry which we have taken as a case study, it is clear that a narrow view of the mobilization base and the broad objectives of foreign economic policy have clashed * * *."

"The 1954 decisions on watches * * * were not accompanied by completely developed analysis of defense essentiality. The industry appears to have been studied in isolation from other industries and any set of recognizable criteria."

The subcommittee also discussed at considerable length the type of standards which should be adopted to make certain that there is no conflict between America's foreign economic policy and its preparedness program. On this subject, the report offered the following comments and specific criteria which it felt should be utilized in defense essentiality studies:

"This subcommittee is convinced that a meaningful pattern very definitely must extend beyond any narrow continental defense concept of the industrial mobilization base. * * * Preserving national security in this kind of world requires the very broadest consideration of all aspects of particular policies. In effect, as particular industries ask for special treatment in the name of national defense, we must ask ourselves these questions:

"(a) How unique and essential is this industry to our military strength and are their skills in short supply?

"(b) Will trade restrictions actually help the industry to keep its skills and does its civilian production aid our defense, or is it seeking a rationale for its own commercial advantage?

"(c) What repercussions will such restrictions have in other industries; will fresh burdens be thrown on them?

"(d) What alternative approaches to preserving the capacity of a critical industry have been sought and weighed?

"(e) Finally, and not least, what will be the repercussions generally on our allies and on other friendly countries whose prosperity is also important to our national security?"

The American Watch Association is in full accord with the report of the Subcommittee on Foreign Economic Policy regarding the type of criteria which should be utilized in studying defense essentiality appeals. We are convinced, as was the subcommittee, that extreme care must be taken to make certain that undue concentration on the requirements of the industrial mobilization base does not lead to a "fortress America" mentality, thus minimizing or ignoring the vital interrelationship of our national security with the economic and military strength of other free nations.

With this in mind, we should like to express a note of caution regarding the defense essentiality standards which were incorporated into the House-approved bill. These criteria, it seems to us, are designed essentially to meet a World War I or II type of situation, where there would be adequate time to convert from peacetime to military production. The type of criteria required in the act, we believe, are the kind which would help to identify America's true national security in terms of strengthening the ability of the United States and its allies to meet the sudden, devastating attacks which would probably occur in event of hostilities in the jet and missile age of today and tomorrow.

In brief, while we believe it is most sound for Congress to write standards into the statute, we feel strongly that the criteria should follow the lines indicated by the Joint Subcommittee on Foreign Economic Policy, rather than the standards established in the House bill.

Even in the case of those industries which are properly identified as truly vital to national security, it is the conviction of the American Watch Association that they cannot and should not be maintained through Government efforts to curtail import competition. In light of our own experience, we believe it is a misconception to think that the national security can be strengthened through efforts to adjust the level of imports as is contemplated in the present bill.

We are convinced that restrictions on imports are an ineffective method of attempting to revitalize and strengthen domestic industries and that trade barriers inevitably weaken the economic fiber and morale of our friends overseas. In short, we are convinced that resort to higher tariffs, quotas, and other restrictive devices will actually weaken our total national security and that the basic purposes of section 7 can best be achieved through techniques which do not involve a reduction in international commerce.

In our opinion, the responsibility of the United States toward its free-world allies, as well as in the uncommitted areas of the world, requires an extension of the Trade Agreements Act without tariff-boosting features which are in conflict with the fundamental intent and spirit of the program. Should the Congress allow the law to lapse, or load it with protectionist features, it would be a signal to other nations that America is abandoning its promises and its stated objective of promoting international trade. Our prestige and our leadership among the free nations would suffer a calamitous blow. Clearly, America's future security requires Congress to pass a law which will permit our country to work in closer harmony with other nations and which will continue to grant the President discretionary authority to administer the trade program as he deems best for all the American people.

The United States must face up to its world responsibilities and must not yield to pressures for more and more protection from import competition. Indeed, it is imperative that we seek alternative methods of assisting domestic industries which are injured by import competition. In this connection, we have been pleased to note that serious congressional consideration is now being given to plans for direct assistance to the employees and managements of such domestic industries, to help them adjust their operations to the manufacture of new products.

Such proposals would be far less expensive for American consumers and more effective for American workers and inventors than exorbitant tariffs, quotas, and other trade barriers. We are convinced, in brief, that they would serve the best interests of the United States economy and the national security, and would avoid the serious pitfalls that inevitably accompany efforts to curb import competition.

The American Watch Association urges the Congress to extend the Trade Agreements Act for at least 5 years, eliminating those provisions which have been used to pervert its basic purposes and continuing the President's discretionary authority to administer the program.

Very truly yours,

MICHAEL B. DEANE,
Executive Vice President.

APPENDIX A

Tariff rates under the Tariff Act of 1930

Item	1930 rates	Rates under 1936 trade agreement	Present rates (since 1954)	Possible rates under administration bill
Par. 367 (a):				
Watch movements, time-keeping mechanisms, etc.:				
More than 17 jewels	$10.75	$10.75	$10.75	$16.12½
More than 1 but not more than 17 jewels:				
If over 1.5 inches wide	1.25	.90	1.25	1.87½
Over 1.2 but not over 1.5 inches	1.40	.90	1.35	2.10
Over 1 but not over 1.2 inches	1.55	.90	1.35	2.32½
Over 0.9 but not over 1 inch	1.75	1.20	1.75	2.62½
Over 0.8 but not over 0.9 inch	2.00	1.35	2.00	3.00
Over 0.6 but not over 0.8 inch	2.25	1.35	2.02½	3.37½
0.6 inch or less wide	2.50	1.80	2.50	3.75
Having no jewels or only 1 jewel:				
If over 1.5 inches wide	.75	.75	.75	1.12½
Over 1.2 but not over 1.5 inches	.84	.75	.84	1.26
Over 1 but not over 1.2 inches	.93	.75	.93	1.39½
Over 0.9 but not over 1 inch	1.05	.75	1.05	1.57½
Over 0.8 but not over 0.9 inch	1.20	.75	1.12½	1.80
Over 0.6 but not over 0.8 inch	1.35	.75	1.12½	2.02½
0.6 or less	1.50	.90	1.35	2.25
Additional duties (less than 17 jewels):				
For each jewel in excess of 7	.15	.09	.13½	.22½
For each adjustment	1.00	.50	.50	1.50
Self-winding mechanisms, etc	1.00	.50	.75	1.50

STATEMENT OF WILLIAM L. CLAYTON IN SUPPORT OF H. R. 12591, THE TRADE AGREEMENTS EXTENSION ACT OF 1958

Mr. Chairman and members of the Senate Finance Committee, my name is William L. Clayton. I am a retired businessman living in Houston, Tex.

Beginning in 1940, I held various Government jobs, among them: Deputy Federal Loan Administrator, Assistant Secretary of Commerce, Surplus War Property Administrator, Assistant Secretary of State for Economic Affairs, and Under Secretary of State for Economic Affairs.

In the Department of State, the administration of the reciprocal trade agreements program was under my direct supervision.

There are many sound economic reasons why we should continue the reciprocal trade agreements program in full force and effect. In the twenty-odd years of its operation, it has been an important factor in the growth of our international trade which, in turn, has contributed much to the growth and prosperity of our country.

I am informed that this aspect of the matter will be adequately presented by others.

What I wish to do in this statement is to ask the committee to consider something else that is involved here which, in the present world circumstances, I believe to be of the most vital concern to our country and to the entire free world.

As of today, we are losing the cold war.

If anyone doubts this, let him look at a recent map of the world shaded to show the Communist areas and he will see the frightening inroads made by communism throughout the world in the 13 short years since the end of World War II.

If still in doubt, let him take a realistic view of the situation in the Middle East, just now the powder keg of the world.

The Russian objective in the cold war is the isolation of the United States. If they get control of the Middle East, they will substantially have achieved this objective.

If in the end we lose the cold war, we will lose just about everything that we hold dear, except life itself, without a shot being fired.

The West is losing the cold war principally because the free world lacks that degree of economic unity which through NATO it has achieved in the military field.

When General Eisenhower addressed Congress on February 1, 1951, immediately after his return from Europe, he spoke of the vast resources and great potentialities of the democracies and asked why we should be frightened of dictatorial government and then he gave this answer:

"Only for the one reason—because they have a unity of purpose." And then he said: "What we have got to do is meet that unity with a higher type, the unity of free men that will not be defeated."

Looking back over the events of the intervening years since General Eisenhower made this statement, one must doubt whether free men have yet achieved that higher type of unity of which he spoke. And still they must attain it or risk losing all.

But there is still another reason why we are losing the cold war.

The foreign policy of the West is mostly negative—it is against something. The Communist policy, on the other hand, is positive; they have a program to cure all the economic ills of all the people. It is largely, but not wholly, a false program. They roam around the world offering trade. We give away some millions here and some there. The Russians give little, but they trade. No self-respecting people want charity; they want to earn their way.

We have grossly underrated the Russians, particularly in the scientific and industrial fields. Let us not be guilty of underrating them in the international economic field—trade, capital, technology.

The free world must shift from the negative to the positive if it is to win this struggle. As vicious and repugnant as communism is, permanent world peace will never be secured simply by fighting communism, even if the Communists lose.

Communism is but an outward manifestation of the world revolution now in progress—a revolution of the "have nots," not so much against the "haves" as against their own lot in life. There are just too many hundreds of millions of people in the world who go to bed hungry and cold every night to expect that victory in the fight to contain communism will bring peace to the world. Modern technological progress has given these people a realization of their plight which they have never had before.

Permanent world peace only can be build on a foundation of reasonable opportunity of economic progress for the peoples of the world.

To create such a foundation is the job of the free world.

Just as the United States took the lead in military unification of the democracies, she must take the lead in the economic field.

To seize the initiative in the cold war and turn defeat into victory, we must first make ourselves worthy of the leadership of the free world. We will never do that so long as we continue to act in the short-term, special interest of our minority groups against the national interest and against the needs and interests of our allies and other nations of the free world. We must greatly strengthen the economic unity of the free world. To do this, we have got to stop the prostitution of our national policy to serve the special interests of minority groups.

The reciprocal trade agreements program has come to be regarded over the world as a kind of symbol of our intention to do this. With the amendments added by opponents of the program, this expectation appears hardly justified. Nevertheless, it would be a shock to the non-Communist world and a delight to the Communist world if the Senate of the United States should weaken the program as it came from the House of Representatives.

If we are to win the cold war, there is so much to do and perhaps so little time in which to do it.

Much capital, public and private, must be made available to the countries that need it for the development of their resources and raising their standard of living.

Only in exceptional cases should there be gifts; but loans and investments can be amortized only through the receipt of goods in multilateral trade. If we are to seize the opportunities for peace and prosperity offered us by the modern world, we must contemplate a great increase in our imports, raising our standard of living, adding to the variety and richness of our lives, and increasing the efficiency of our production. Increased imports would mean decreased grants and smaller budgets.

All of this means that tariffs and other barriers to the international movement of goods must be lowered, not raised. Economic nationalism just won't mix with political and military internationalism. If we try to make them mix, the present feeble unity of the free world will go to pieces, the cold war will be lost, and freedom, as we have known it, will disappear.

STATEMENT OF KURT ORBAN CO., INC., IN SUPPORT OF THE RECIPROCAL TRADE AGREEMENTS PROGRAM

KURT ORBAN CO., INC.,
Jersey City, N. J., June 30, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.:

We import and export metals and metalworking machinery. Annual turnover is from $10 million to $20 million, or about one-tenth of 1 percent of total United States imports.

Employees: 65.

Thirty sales representatives make their living on our business in—

Boston, Mass.	New York, N. Y.	Northford, Conn.
Washington, D. C.	Buffalo, N. Y.	Detroit, Mich.
Schenectady, N. Y.	Cleveland, Ohio	Indianapolis, Ind.
Chicago, Ill.	Rockford, Ill.	Salt Lake City, Utah
Minneapolis, Minn.	Denver, Colo.	Miami, Fla.
Phoenix, Ariz.	Jacksonville, Fla.	San Diego, Calif.
New Orleans, La.	Houston, Tex.	Portland, Oreg.
Los Angeles, Calif.	San Francisco, Calif.	
Seattle, Wash.	Philadelphia, Pa.	

This business also provides work for freight forwarders, customhouse brokers, truckers, stevedores, and people in banks, steamship lines, cable companies, insurance companies.

We also manufacture concrete reinforcement mesh at Ojus, Fla. Total payroll there is 10.

Customs duty on our imports averages around 7 to 8 percent, which means that we pay about $1 million in duty to the Government each year.

Our imports help the long-suffering taxpayer in three ways: First, by saving him money on his purchases; second, by paying to the Federal Government about $1 million a year which would otherwise have to be raised in taxes; third, by putting dollars into overseas countries, thus reducing the need for foreign aid.

Indeed, our business, multiplied by 500, would eliminate the dollar gap, and would put United States commercial foreign relations back on a business-to-business basis, where they belong.

We search out and introduce new products and processes, and try to fill supply gaps wherever they appear.

In late 1949 and early 1950, the United States tobacco industry had a heavy surplus. West Germany had open capacity in nails, barbed wire, and other steel products, and they wanted the tobacco but had no dollars. We got together with a group of tobacco importers over there and tobacco exporters here and arranged to take steel products worth about $2 million in payment for the tobacco. This took a lot of sales effort, since we had to sell the steel in quantities of carloads and even truckloads all over the east and gulf coasts, but in the end everyone benefited.

When the Korean war resulted in a steel shortage here, Europe had extra steel mill capacity, but was short of coal. There was plenty of coal here, but no dollars in Europe to pay for it. We negotiated the necessary financing and arranged to have American coal move to Germany; in return we got wire rods, reinforcing bars, sheets and plates, oil country pipe and many other products. Other firms soon started similar operations and coal miners were kept on the job, the German steel industry was humming and helped keep in business many small users of steel products, building contractors lacking steel and other American manufacturing firms which might otherwise have had to shut down or curtail operations.

Wire rod becomes short for the independent American wire drawers whenever business is good, since the integrated steelmakers don't have enough rod capacity to supply both their own finishing departments and those of their nonintegrated customers if all are to operate at capacity. We fill in the independents with imported wire rods during such times of shortage and help them maintain their competitive position with low-priced, high-quality raw materials when competition is tough.

In 1952 and 1953, when West Berlin badly needed business to keep its workers busy and rebuild its economy, we took almost 25 percent of Berlin's exports to the United States, in the form of optical jig borers and other precision machinery, for which we built a sales and service organization. While our share of Berlin's overall exports has declined, we are still bringing over these optical jig borers, not made in the United States, but only in Germany and Switzerland. A list of their users reads like a Who's Who of American industry and many of them are used directly in important defense work.

Generally, the machinery we import is of a kind not made in the United States at all, or it offers special advantages which are not commercially available here and could be reproduced only at prohibitive expense.

Since 1949 we have been importing a dynamic balancing machine which, because of its unique design, can be built more cheaply than intricate electronic devices developed by the domestic industry. Its ease of maintenance, low first cost, and great accuracy has resulted in faster and improved production of rapidly rotating parts for many industrial firms, has enabled smaller repair and maintenance firms for whom other equipment would be too expensive to do a fully scientific job, and is being used in many phases of the defense program, including atomic energy.

In 1952, when the pressure was on to build some heavy extrusion and forging presses in a big hurry for the Air Force, and when all domestic builders were full up with more orders than they could handle, we found a company with many parts for a press which had been on order in Germany toward the end of the war but was never delivered. We arranged, over a period of many months of complicated negotiations, a contract whereby this German company completed and delivered this 13,000-ton extrusion press to one of the Air Force's price contractors, on a fixed-price basis, thus not only furnishing the press when it was badly needed, but also saving the taxpayer at least $2 million, based on the final cost of similar projects handled on a cost-plus basis.

Knowing of the 20-year headstart which the Germans had in spinning and flow-turning machines for the chipless forming of metal, we introduced these machines into the United States in 1952. Their special capabilities have given them an important place in many industrial and defense applications, particularly in the missile field where expensive metals and metals difficult to machine must be shaped quickly, accurately, and with a minimum loss of material.

We also introduced exceedingly accurate gear testers for instrument gears, used in fire control, guidance, and computer systems.

This and other equipment has greatly helped the United States missile and satellite program.

It takes commercial organizations such as ours to keep up the flow of technical information between American industry and the shops and laboratories abroad. Only a constant interplay of ideas and information will produce the best results for all.

Forty highly skilled technical people within our organization, with a broad background in the various metal-working fields, help maintain this flow of information.

It is interesting that Germany, to name just one country, has no customs duty at all on metal-working machinery and encourages the importation of anything that will make for better production. As a result, United States exports to Germany of machinery are 2½ times as high as imports from Germany. Exports are made up primarily of high-speed production equipment—the great American specialty—whereas imports tend to be in the "fussy" specialties.

The customs duty we pay on machinery ranges from 18 to 25 per cent ad valorem.

We have introduced to the United States new wire-drawing and wire-forming machines, not because they are cheap in price but because they offer developments which are unavailable domestically. This makes for profits for American industry and better and cheaper products for the consumer.

Our machine tool division has introduced induction hardening of large gears, special lathes, special spline millers, a new type of universal milling machine, unusually precise thread grinders, a new system of electropolishing, precision roll forming of turbine blades, and is constantly searching for other new and improved products and processes that can be introduced for the benefit of American industry and the defense program.

It takes time and costs money to research such products and processes and to determine whether and how they fit into the American industrial picture, sales and service engineers must be trained, service and spare parts must be established. Many details must be adjusted to conform to American standards and shop practices.

It usually takes 5 years between initial research on a new process or product and commercial-scale importation of the product or sale of a license for the process. Of course, many of these things never prove out commercially at all.

Profits in this business are too thin to allow either substantially higher tariffs or shorter planning. While we pay about $1 million in custo. s duty a year, our business is like any other small United States business in that we can never be sure of ending the year in the black. Thus, planning for at least 5 years is a must for our kind of business.

Contributing benefits to industry, defense, the consumer, and the United States Treasury, we contend that a short-term extension of reciprocal trade is not enough to justify the time and investment needed to develop particularly those things which will benefit the economy the most, and that we must be allowed to plan on a 5-year cycle.

We hope that reciprocal trade will be extended by 5 years.

KURT ORBAN, *President.*

CERRO DE PASCO CORP.,
New York, N. Y., June 30, 1958.

Hon. Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR MR. BYRD: I wish to record my views in support of the renewal of the Reciprocal Trade Agreements Act and particularly of the 5-year extension of the act provided in House bill 12591 currently under Senate consideration.

The most important issue in the legislation now before you and your committee is, I think, that of preserving and strengthening our position of free world economic and political leadership. The accomplishment of these objectives will require judicious and concerted effort to separate selfish minority interests from what is best for the country as a whole.

Throughout my businesslife I have been active in the mining industry, both here and abroad, and I believe that the hue and cry raised by certain domestic mining executives, in their efforts to put their own selfish interest above the national welfare, demonstrates acute shortsightedness. In the face of the plain fact that the United States no longer possesses enough mineral resources within its own borders to meet present requirements, not to mention the increased demands expected in the next few years, these special pleaders have pressed their demands for restrictions on imports of copper, lead, and zinc.

Today's business recession has increased this clamor for Government action to choke off foreign competition. The truth of the matter is, however, that unless the United States reasserts its free world leadership by facilitating, rather than restricting, international trade, the slump we now experience will be as nothing to what will follow when foreign countries, will, of necessity, have to decrease their purchases from us to minimal levels.

Not only are we dependent upon foreign countries for raw materials, but United States exporters have a vital stake in the economic growth and expansion of such countries. For if a nation which depends for its well-being on exports is denied access to our markets, it soon exhausts the dollar reserves it requires to purchase United States machinery and equipment. And since our exports of these manufactured goods provide in the aggregate over 4,500,000 jobs in this country, it is obvious that reduced dollar income abroad jeopardizes a major segment of our economy at home.

It is vitally important, therefore, that today's appeals to increase trade barriers, to scuttle the reciprocal trade movement, to substitute expedience for principle in the conduct of our foreign economic relations, should be understood and recognized for what they are—the special pleading of vocal minorities.

For these reasons, I strongly support a full-year extension of the Reciprocal Trade Agreements Act as embodied in House bill 12591, and will appreciate your courtesy in having these views recorded for consideration by the committee as a whole.

Respectfully yours,

ROBERT P. KOENIG.

MILWAUKEE ASSOCIATION OF COMMERCE,
Milwaukee, Wis., July 1, 1958.

Senator HARRY F. BYRD,
Chairman of the Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: The Milwaukee Association of Commerce respectfully requests permission to present this statement in support of the Reciprocal Trade Agreements Act.

On March 6 the board of directors of this organization voted that strong representations be made to your committee favoring the legislation relating to the Trade Agreements Extension Act of 1958. This action by our board of directors resulted from a recommendation of our international trade committee, composed of specialists in all phases of overseas commerce.

Notwithstanding a few isolated cases of hardship, we feel that on the whole, Milwaukee and Wisconsin commerce, industry and agriculture have materially benefited over the past 24 years under this act. We also feel that extension of the proposed act for 5 years to June 30, 1963, is essential and vital to the establishment of a strong negotiating position with the 6 countries that formed the European Economic Commission (EEC) on January 1 of this year to develop a Common Market (CM) in 3 stages of about 4 years each.

We are of the opinion that it is necessary for the United States to negotiate with substantial strength during the coming 4 years. A 5-year extension of the proposed act will materially contribute to this.

It is for the reasons listed above that the board of directors of this association wholeheartedly supports H. R. 12591 without amendment, and urges that your committee take positive action favoring this bill.

Sincerely,

LESTER OLSEN.

NEW YORK, N. Y., *July 1, 1958.*

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: We desire to place ourselves on record with the Senate Finance Committee as being very strongly in favor of the Trade Agreements Extension Act of 1958, H. R. 12591, as passed by the House, without any amendments whatsoever.

This weekly magazine, established in 1919, has for almost 4 decades been recognized as spokesman for United States exporters, including both independent export organizations and the export executives of manufacturing industry. The industries represented by our readership have been recognized, both by the leaders of organized labor and by the United States Department of Labor, as paying higher wages and providing bettter working conditions than is true of those minority industries which claim the need for protection against import competition. While we recognize that the marginal or fringe units in some industries do suffer from import competition, it is manifest that the allegations of such industries are grossly exaggerated and in any event, we believe that any curtailment of the growth of United States exports, which could not fail to result from any further impediment to imports, would cause far more serious unemployment and more dislocation to the United State economy than has resulted or could conceivably result from import, competition, as regards the overall economy of the United States.

We believe that those industries which have proven themselves able in foreign markets to sell their products, produced by the highest paid labor in the world, constitute the backbone of America's industrial economy, and that such industries are far more meritorious of governmental solicitude than are those other industries which, in most cases for a multiplicity of reasons based only in small part on import competition, have not proven the ability to make as productive use of the abilities of American workers. Since it is manifestly impossible through political action to give special privilege to one group without at least equally injuring some other group, we believe that the outcome of the indirect competition between different American business enterprises, which takes place through the transaction of two-way foreign trade, should be left to the normal functioning of economic forces and should not be distorted by governmental intervention through protective devices, except in cases where it is clearly demonstrable that such action is absolutely essential to the welfare of our entire population.

Respectively submitted.

REDINGTON FISKE, *Editor.*

LINEN TRADE ASSOCIATION, INC.,
New York, N. Y., July 1, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: Our association was organized in April 1891 and is the representative trade organization of United States importers of pure-linen fabrics, as well as household and decorative articles made of linen.

We wish to go on record as strongly in favor of a 5-year extension of the Trade Agreements Act with new bargaining power. Specifically, we favor authorizing the President to reduce existing rates of duty by as much as 25 percent of such rates in appropriate cases.

We wish to register our strong objection to any shorter extension of the act than the 5-year period proposed in the House-approved bill.

We are vigorously opposed to the proposed amendment to the escape clause which would permit the President to proclaim increases in existing rates of duty up to rates that are 50 percent above the July 1, 1934, duty rates. On the type of fabrics and articles which the members of our association import this would mean the possibility of a 600-percent increase over present rates. In the escape-clause case involving certain linen toweling the duty rate was increased from 10 percent ad valorem to 40 percent ad valorem. This merely had the effect of destroying the tariff advantages which the United Kingdom and Belgium had for years on this commodity over the Iron Curtain countries of Poland and Czechoslovakia.

The single domestic company that this increase was intended to favor manufactures only very coarse linen towelings, which are not comparable to the fine goods produced in Belgium and Northern Ireland. The result, therefore, of the escape-clause increase in this case has merely been to expose this domestic manufacturer to intensified competition from producers of coarse goods in Poland and Czechoslovakia.

Will you please insert this letter in the record of the current hearings on H. R. 12591?

Respectfully yours,

STEWART C. CARSE, *President.*

CHUBB & SON,
New York, N. Y., July 1, 1958.

Hon. HARRY FLOOD BYRD,
Chairman, Committee on Finance,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: May I request that you include the following expression in the printed record of the hearings on H. R. 12591, Trade Agreements Extension Act of 1958:

I strongly urge the committee to recommend approval of this bill as passed by the House and without further amendment. I believe that a full 5-year extension is the minimum period necessary for adequate stability and continuity in our trade policy, and that the 25-percent reducing authority is equally a minimum if we are to make reasonable progress in the reduction not only of our own trade barriers but those of other countries in the free world.

In recent months our exports have declined from the unprecedented peaks of the early months of 1957; part of this decline is probably quite normal but another element in the decline can easily be attributed to uncertainty on the part of the foreign buyer as to the future of our trade policy. To restore confidence abroad and thus to insure that our exports do not suffer the kind of decline which would seriously affect our already slipping economy, it is essential that this bill be passed in adequate form.

The committee has been told many times of the importance of our trade policy to our foreign policy and to our security policy. There is no question in my mind that these statements are true and that any failure on our part to continue a liberal trade policy could well be disastrous for us all.

Sincerely yours,

J. RUSSELL PARSONS.

STATEMENT OF ROSS CONNELLY, S. M. WOLFF CO., 60 HUDSON STREET, NEW YORK, N. Y.

S. M. WOLFF CO.,
New York, N. Y., July 1, 1958.

Hon. HARRY FLOOD BYRD,
Chairman, Committee on Finance,
Senate Office Building, Washington, D. C.

SIR: I wish to record my support for H. R. 12591, Trade Agreements Extension Act of 1958. I urge the Commission on Finance to recommend to the Senate its approval as passed by the House, and without further amendment.

We are a relatively small exporting and importing firm. Obviously, we are in favor of legislation that promotes a liberal trade policy on the part of the United States, a policy designed to encourage expansion of our foreign trade. That, of course, would benefit our particular business—but it would also benefit the entire economy. International competition is one of the major forces which press upon our domestic costs and, thereby, enable us to provide quality goods at the lowest possible price. We believe that this is in the interest, not only of our Nation's consumers, but in the interest of the entire Nation and contributes to the kind of expanding economy which we all seek and to the higher standards of living which we have come to expect. It is our feeling that this legislation is thus not particular legislation to benefit particular groups, such as importers, but rather legislation which is in the fundamental interest of the entire country.

It is our belief, however, that the consumer's interest has not been sufficiently stressed in this debate on trade policy. As importers, our major business concern is to supply goods which will attract and satisfy the American consumer. When imports are limited, or when tariffs are high, the price for imported goods to consumers must be high. This limits their choice in the market. It restricts, by artificial means, a wide range of choice at reasonable prices, which any free American consumer is entitled to. Our real standards of living depend, of course, upon the prices we pay for the goods we buy. If there is real competition between these goods, it is clear that prices will be lower and our standards of living will increase. This, in its simplest form, is one of the major purposes of the reciprocal trade program.

The committee has heard many times that a reduction in tariffs will endanger or injure American domestic industry. I think, there may be instances of this injury, in rare cases, but I would urge this committee to discount many of the complaints which it may hear. No businessman likes competition, if he can avoid it, and too many domestic industries seize the opportunity presented by these periodical renewals of the Trade Agreements Act to voice their objections in very strong terms to such competition. It is curious, but true, that they feel perfectly justified in attempting to prevent competition from abroad, while at the same time, calmly accepting domestic competition as inevitable. Also, many of them have no qualms when accepting export subsidies from our Government, which of course, are mainly on United States farm products. So far as benefits to the economy are concerned, there is essentially no difference between foreign competition and domestic competition. Every dollar the Nation spends for imports is reflected sooner or later in exports—exports which create jobs and income.

The year 1958 is a critical year for the United States. The European Economic Community just formed presents us with the challenge of whether we will maintain our close relation with that area of the world by the mutual reduction of trade barriers, or whether we will stand by and watch Europeans reduce and eliminate trade barriers among themselves alone. Western Europe is a $5-billion export market for the United States, and we stand in danger of losing a substantial part of that market unless we extend this Trade Agreements Act.

The Soviet economic defense presents another challenge. The committee must decide whether the United States is prepared to cooperate closely with the underdeveloped nations of the world and exchange our goods on a freer basis, to our mutual benefit or whether we are prepared to leave the field to the Russians.

I strongly urge the committee to approve H. R. 12591 intact.

Sincerely yours,

ROSS CONNELLY.

WINTON LUMBER CO.,
Minneapolis, Minn., July 1, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
Senate Office Building, Washington, D. C.

SIR: I wish to record my strong support for H. R. 12591, the trade agreements extension bill of 1958, as passed by the House of Representatives and now before your committee.

The provisions of the bill calling for a 5-year period of duration, 25 percent tariff-reducing authority, and retention of full discretion in the hands of the President on escape-clause cases, are absolute minima if the needs of the United States are to be fulfilled in the field of trade legislation.

We are all aware of the time schedule for the European Economic Community: we know that an extension of less than 5 years would not permit us to complete our proposed tariff negotiations with that community. We know, too, that the Soviets have launched a massive economic offensive, having as its purpose the progressive subversion of a large part of the free world.

While this trade agreements extension bill is in no respect a complete response to this offensive, it is an essential element in our economic defense; and certainly none of the alternative proposals involving shorter period of time or lesser authority can possibly make an adequate contribution to this historic challenge. What the Congress does this year with this trade agreements extension will either establish the basis for expanding United States and world trade, with all the economic benefits that would bring, or it will create a climate leading to progressive contraction of trade. We can have no doubt of the seriousness of the effect of that course of our economic growth, on our free-world leadership, and our common security.

May I again urge the committee to approve H. R. 12591 without amendment.

Sincerely,

D. J. WINTON.

STATEMENT OF THE NATIONAL BOARD OF THE YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF THE UNITED STATES OF AMERICA IN SUPPORT OF H. R. 12591, THE TRADE AGREEMENTS EXTENSION BILL, JULY 1, 1958

By Mrs. Paul M. Jones, Vice President, New York, N. Y.

The national board of the Young Women's Christian Association of the United States of America has supported the Reciprocal Trade Agreements Act since 1934. We believe that the issue of freer trade has never been of more critical concern than it is today.

Our trade policies have a direct and continuous bearing on our relations with other nations. As one of the more prosperous members of the free world but also as a nation dependent on others for strategic raw materials, we believe that the United States should give leadership in liberalizing trade and placing it on a more secure and sound basis.

It would be unthinkable to return to the state of chaotic conditions prior to 1934 when nations resorted to high tariffs, quotas, and embargoes, which in turn invited the reciprocal raising of trade barriers by other countries, so today it is urgent that we go beyond our policies of recent years during which we extended the Reciprocal Trade Agreements Act for merely 2 or 3 years. We cannot afford to risk leaving the initiative in this area to the Communists whose system of grants, gifts, loans, trade, aid, and barter are all bent to a single purpose—the reinforcement of Communist power. We must meet this threat in all aspects of our foreign policy, of which one of the most important is trade.

The m' 'mum requirement to bolster the economies of the Western and uncommitted nations and to meet the Communist challenge is an extension of the Trade Agreements Act for at least 5 years, and the retention of the power of the President to negotiate with foreign countries through his authority to reduce tariffs. We oppose further strengthening of the peril point and escape clause provisions, believing that as they stand they afford adequate protection to our domestic industries.

We hope that your committee will report favorably on H. R. 12591, and that you will oppose any attempts at attaching crippling amendments.

STATEMENT FOR PRESENTATION TO THE SENATE COMMITTEE ON FINANCE IN SUPPORT OF H. R. 12591 BY P. G. WINNETT, CHAIRMAN OF THE BOARD, BULLOCK'S, INC.

Gentlemen, deeply concerned with the importance of increased two-way trade to the growth of the American economy and with the need for American leadership in easing world tensions before it is too late, I should like to express my support for a 5-year extension of the Trade Agreements Act as proposed in H. R. 12591.

Bullock's together with other leading retail institutions in the United States have exerted much effort in encouraging the importation of salable articles manufactured abroad, having done so not only with the idea of stimulating domestic business but also with the aim of encouraging reciprocal trade.

The premise on which we base our support for a meaningful extension of the Trade Agreements Act without any further weakening amendments is made up of many things, including the following:

Reciprocal trade is not only good business for the American economy; it is also the keystone of a foreign policy designed to foster a world climate in which the American people can best fulfill their aspirations for ever-rising standards of living.

Expanding two-way trade is one of the main bases upon which we and our friends abroad can prosper without artificial Government supports which offer no enduring remedy to economic problems.

A liberal trade policy on the part of the United States, while the basis for the steps that must be taken to reduce the barriers to trade and to economic progress in general, is also a symbol of the role the United States wishes to play in the free world. It symbolizes our national outlook on the desirability of effective cooperation and enduring unity in the society of free nations. It is also a symbol of the dynamic free enterprise system which we like to hold high as an emblem of American economic strength.

The United States has an important stake in it own rapid economic growth as well as in the rapid economic growth of the other nations with which it is associated in the preservation of world peace. Failure to reduce further the barriers that impede trade between our country and the rest of the free world will hurt American industry, agriculture, and labor by increasing the obstacles to expansion of our country's export trade. An expanding economy needs expanding exports. The most important source of dollars for the rest of the world is sales to the American market. Our expanding economy needs and can easily absorb a greater volume of imports, which is also essential if we are to realize in dollars the earnings from the investment of American capital in foreign countries.

The European Common Market is only one example of the many new developments now taking place in the world with which the United States must be in a position to deal, if our economic and political interests are to be preserved and enhanced. We need a foreign trade policy adequately tooled to enable us to take suitable action in the face of these new developments. H. R. 12591, while not in every detail as strong an extension as we would prefer, still in our judgment provides adequate machinery to permit the United States to move quickly and effectively in the field of foreign trade.

We understand that there is considerable doubt in the Senate about the desirability of a 5-year extension, in view of the fact that we have never in the past had an extension for longer than 3 years. We are convinced that a 5-year extension is the minimum if we expect to be effective in meeting the many contingencies to which I have referred, and these include also the Soviet trade offensive against the free world. But I wish to emphasize that a 5-year extension is not a crash program designed to meet an emergency. There is an emergency, but a 5-year extension is undeniably within the capabilities of the American economy and necessary for the kind of stability American firms need in the Nation's foreign trade policy if proper, business-like planning is to be achieved. In view of our own economic strength, and considering the record of 24 years of trade agreements legislation and of the contribution it has made to our Nation's prosperity and security, the United States is ready for a 5-year extension. Anything less would be a sign of weakness.

We urge the Committee on Finance, and the Senate as a whole, to approve the bill as it passed the House of Representatives. To do so, would be more than an important step forward in fostering American prosperity. It would also constitute an important support for American prestige and leadership in a troubled world.

STATEMENT PREPARED FOR THE SENATE FINANCE COMMITTEE RE TRADE AGREEMENT EXTENSION BILL, H. R. 12591, PREPARED BY CARTER C. HIGGINS, PRESIDENT, WORCESTER PRESSED STEEL CO., WORCESTER, MASS.

The company of which I am president and general manager is a small company, employing less than 250 employees at present. We are in the business of making stampings of all kinds of metals, and we also produce a line of small pressure cylinders and, through a subsidiary, Mutual Products Co., Inc., a line of paper punches. As a businessman, I support the reference bill, although I would like to see it stronger.

Although my company is a small company, we are greatly affected by the volume of business done in this country. Many of our customers are beating companies in their fields, and when their products are exported our components go with them.

We are very much interested in anything that affects the total unit volume of our customers and business in general. The more that is sold, whether it is sold in this country or across our borders, the better our business will tend to be. In this connection, I would make two points. The value of international trade is larger with lower trade barriers. The figures cited showing a comparatively lower average rate of duty on our imports is not a measure of the small interference of present tariffs with international trade. It is merely indicative of the size of the hurdle that goods made abroad can jump. If three-quarters of our imports were duty free, and 25 percent could pass 100 percent ad valorem barrier, the average duty would be 25 percent. This would not indicate that existing barriers were 25 percent barriers. Maybe an equivalent total amount of imports is being kept out by the 100 percent rate.

People in other countries would like to buy the goods, into which our components go, if they had the dollars to buy them with, and I would prefer they get these dollars by free exchange rather than by our making gifts to them of which my company has to pay its share. They are hindered from getting these dollars by import regulations and tariffs, and if our great country is to be in a reasonable bargaining position, the administration should have power to reduce tariffs to maximalize international trade.

The second point, I feel pertinent, is that international trade is a two-way street with benefits for both the importer and exporter. Therefore, additional imports are countered by additional exports. I am not as despondent as some about the inefficiency of American industry and its inability to meet foreign competition despite substantially lower wage rates in some countries. Wages do not necessarily determine costs. We could never afford to have Chinese coolies receiving a few cents a day transporting our goods on their backs out of our plant. The trend of international trade, and the "dollar shortage" does not indicate inefficiency on our part. We are in a competitive business and are well aware how competition keeps us on our toes, how we have to shift to cost-saving methods, and how our customers show a benefit if they can buy good quality stampings from our competitors. These benefits would be taken away if our competitor's products were taxed and ours were not.

We would be greatly handicapped in what we could buy if we could not select the most efficient supplier.

The principal point I want to make at this time, however, is that if we could import another billion dollars, I am convinced that we will export a like amount, and a few dollars of this will show up in my company's orders for stampings which become parts of typewriters, machine tools, ball bearings, or one of many other products produced by our customers.

Now when we come to our costs, even a small company is affected by price levels of such imports as nickle, aluminum, various ores, heavy oil, and so forth. The cost of these items are already so high in relationship to what our customers and the American consuming public is willing to pay that we are most severely pinched. The same is true of each of our employees who are pinched by the present high-cost of living. There isn't a doubt in the world that some of these items would trend lower if it were not for tariff barriers. I can't see it any other way than that a vote against this extension, or for more limiting amendments, is a vote for higher cost of living, and a vote for higher cost for my company. How we can cover these costs may not be of direct interest to you good committee members, but is, I assure you, a great source of worry to me and to my company.

We, in small business, cannot retain Washington representatives to see that we can charge more for our metal stampings, or whatever we produce, because part of our competition is cut off. That you don't hear from us is not an indication that we do not bleed if tariffs raise the costs of what we have to buy, and what our employees have to buy.

The political realities of today require considerable latitude be granted to whatever administration is in power to do the best they can to keep our costs down to maximalize the demand for our materials. This situation is constantly changing. The Communist countries are more and more tending to try to disrupt world markets. They throw their buying power into making purchases at high prices to try to raise the prices we Americans must pay. They try to dump materials like aluminum in sufficient quantity at costs below fair costs to upset established export relations. The only solution I can see to this is that we have a maximum of flexibility to do what must be done. I am not a free trader; I am opposed to dumping. I recognize the importance of customs and duties as income to the Government of the United States. I would hope that we would see a gradual reduction of tariffs which would allow time for other companies to adjust to apparent situations. Because of rapid changes, we all are aware of, I think we must rely on administrative discretion as provided in this bill which would be enabled to plan its action across a period of years and develop peaceful relationships with foreign countries at the same time as providing for maximum trade and reasonable cost levels.

I believe the passage of this bill will increase the size of the market for American products. I believe its passage will serve as a check to inflation. I believe also in the provision for as much flexibility as possible, not to be exercised capriciously, upsetting the best laid plans, but in order to face political realities as the occasion demands.

I urge the extension be for 5 years. A shorter period is inadequate for planning, because I expect the Russian economic competition will be more marked a year from now than it is today; and, the longer the period we have to meet it, the better.

H. J. HEINZ CO.,
Pittsburgh, Pa., July 2, 1958.

Hon. HARRY FLOOD BYRD,
Chairman, Committee on Finance,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR BYRD: May I express my strong support for the bill, H. R. 12591, Trade Agreements Extension Act of 1958. I urge the committee to approve this bill as passed by the House of Representatives, without further amendment.

A 5-year period of extension is the minimum necessary this year, if the reciprocal trade agreements program is to adequately serve our Nation. That historic development, the European Economic Community, has adopted a time schedule for the first phase of its internal tariff reductions and for establishing a common external tariff, of 4 to 5 years. As the United States State Department spokesmen have indicated, the necessary preliminary work and the actual negotiations to follow will require a full 5-year grant of authority to the

President. A 3-year extension would expire precisely in the middle of these projected negotiations, and whether they could continue would depend upon a further extension of the program by the Congress at that time. Clearly, this would create a wholly unsatisfactory bargaining position for the United States; and there is real doubt that we would even begin negotiations under those circumstances.

Equally important with the 5-year extension is the 25 percent tariff reducing authority contained in H. R. 12591. The European community will reduce its internal tariffs 30 percent over this period of time, and if we are to enjoy approximate equality for our exports to the European market, we must be able to reduce our tariffs by at least that 25 percent. Western Europe is the most important single market for our Nation's exports, and it is of critical importance to the future of our foreign trade that we maintain our present position in that area.

The Soviet economic drive toward underdeveloped countries is another development which has reached serious proportions in the last year or two. In the face of this offensive one of our major economic defenses will be our willingness to accept on a reasonably liberal basis imports from these underdeveloped countries—imports not only of essential raw materials but of the whole range of goods which these countries export, and upon which depends their foreign exchange position. Obviously, unless we are prepared to cooperate closely with these countries in satisfying their basic needs, their governments will be under heavy pressure to entertain the prospect of close relations with the Soviet bloc.

Finally, an adequate trade agreements extension is essential for our own economic welfare and growth. Expanding foreign trade is one of the major elements in an expanding United States economy. We cannot hope to increase our standards of living and provide jobs for the annual increase in our working population unless we are prepared to provide the economic climate for trade expansion.

The writer has had some direct experience as an adviser to the United States delegation to the GATT. I have become convinced that the Trade Agreements Act provides a workable and vital instrument for the achievement of our foreign economic objectives. From my own observation the negotiations under the GATT have been conducted by the American representatives with great care and with full regard to the interests of American industry, labor, and agriculture. This has been a sound program for some 24 years, and we cannot now afford to renounce it by adopting a 1958 extension which is neither adequate to our current needs nor expressive of the policy we wish to pursue. In my opinion, amendments to this bill, which would provide for only 1-, or 2-, or 3-year extensions; 5-, or 10-, or 15-percent tariff reducing authority; or drastic limitations on the President's discretions in escape-clause cases, will have the effect of making the legislation essentially meaningless. An extension of that kind would continue the program in name only.

May I, therefore, again urge the committee to recommend to the Senate approval of H. R. 12591 without amendment.

Sincerely,

HENRY J. HEINZ II, *President.*

STATEMENT BEFORE SENATE FINANCE COMMITTEE IN SUPPORT OF EXTENSION OF THE TRADE AGREEMENTS ACT BY LAMAR FLEMING, JR., HOUSTON, TEX.

My name is Lamar Fleming, Jr. I am a resident of Houston, Tex. I am chairman of the board of Anderson, Clayton & Co., a corporation whose principal business is dealing in cotton in this country and abroad, ginning, and seed crushing.

I served on the Commission on Foreign Economic Policy (Randall Commission) as Vice Chairman, and I attended the session to revise the General Agreement on Tariffs and Trade as an adviser to the United States delegation in 1954–55.

Judgment of the merits of a trade policy for the United States must be in terms of the welfare of the American people, of present and future generations. For this purpose, I believe we can define welfare as achievement of the fundamental human desires for material well-being and personal freedom.

The civilized man recognizes that there are limits beyond which unbridled personal freedom becomes infringement on the freedom and well-being of others, and he submits, therefore, to reasonable restraints, imposed by his own sense of good manners and the laws of society. He recognizes, also, that a great deal of his well-being comes from maintenance of public order and security and from publicly provided services like roads and schools, which he enjoys as the effect of concerted action of all society, and that, therefore, it is just that he bear his share of the costs and burdens of them, in the just measure of the benefit he derives. The sum of it is that he enjoys the fullest measure of worldly goods and freedom as a team player for what our forefathers called the common weal, rather than as a lone wolf. The test of this is whether the net effect of his surrender of goods and freedom to society is the enjoyment of more goods and freedom in the ultimate.

The basic purpose of protective tariffs is to enable certain producers to sell us their goods for more than we would pay were we permitted to buy like foreign goods duty free. This diminishes the value of our goods and services in exchange for the protected goods; and it abridges our freedom as buyers. What are the compensating benefits?

In the beginnings of our Republic, Hamilton's answer was that we needed to nurture infant industry until it developed the capacity to relieve us of our then great dependence on manufacturers from Europe, the availability of which had been interrupted by wars, blockades, and legalized piracy periodically during his lifetime. Whatever the merits of this answer then, there are no infant industries in the United States today, if we exclude those born of new invention which are infants wherever situated.

A modern variation of this answer is assurance of essential supplies against the eventuality of war. This justification has been invoked for products ranging from military hardware to chocolate bars. It is a difficult one for the scantily informed citizen to evaluate. Only those with the top responsibility for our defense and the information indispensable thereto are qualified to judge what we will need and have time to use in a war with the all-obliterating weapons that now are available.

An answer sometimes heard is that no one need be discriminated against in a pervasive protectionism that shields all from foreign competition—industry and mining by tariffs; agriculture by tariffs, price supports, and quotas; labor by immigration restrictions and minimum-wage laws. If this answer had no other flaws, it still would be damned by the fact that what it contemplates is a regimented welfare state, whose impracticability has been proven over and over again, throughout history. But it has obvious particular flaws. Since its aim is high prices and wages, its effect would be inflationary. No protection has been devised for the white-collar man or those dependent on pensions or fixed income, who suffer always in times of high prices or inflation. No protection is feasible for our productions that serve the export markets—other than Government subsidies and gifts, of the order recently applied to our agricultural exports, which condemn themselves by the fantastic enormity of the cost.

Even if all-pervasive protection were feasible, it would require a horde of Government functionaries for administration of it; and we taxpayers would have to support them. Moreover, even-handed apportionment of all-pervasive protection, with equal justice for all, would be beyond the limits of human intelligence and conscience.

Congress had a long experience with the difficulty of formulating protective programs with fairness and equity to all. The trouble is that by no means all are desirous of any protection and that only small fractions of the people are desirous of any particular protection. So there never was a majority interested in adoption of every schedule of a Tariff Act. In these circumstances, the mustering of a majority for a catchall, omnibus bill depended on a trade between countless factions, each swapping votes for the whole bill in order to get the votes of the others for its particular schedule. The essence became vote trafficking, not equity.

This produced some bad tariff acts; but a more harmful product was a degeneration of the legislative system. It showed the way for unrelated small minorities to win particular privileges for each by conspiratorial combination resulting in an aggregate 51 percent majority for a catchall, omnibus bill. The use of this device has spread beyond tariff legislation, into agricultural, fiscal, and other important legislative fields. It threatens the effectiveness of any suffrage of the remaining 49 percent, as well as the basic integrity of the legislative system.

Congress moved against this cancer in enacting the Trade Agreements Act of 1934, lifted the fixing of individual tariff schedules from its functions. In the interest of preservation of legislative integrity, let us hope this step will never be retraced.

To evaluate the interests of the American people in trade policy, I suggest that we consider what the elements are of enlargement of human welfare. I think the clearest fact of all is that it has moved hand in hand with the growth of specialization.

The first man's diet was limited to what he could gather from nature, in the raw. Some division of tasks developed with formation of the family, and more when the family grew into a community. Special aptitudes were developed, such as for hunting, fishing, herding, and cultivating the soil; and the aggregate increase in usable products was such that the availability of them per person and the variety and quality also increased. Specialization spurred discovery of additional useful natural resources and of means to convert them to useful form, further increasing the quantity and range of enjoyable goods. Members of the family pooled or swapped the products of their several proficiencies.

The natural resources available to the first family or community were those locally at hand, of which it had discovered the presence and usefulness. The development of communication and transport between communities and places made resources of the one available to the other, through exchange of goods. Also it generated exchange of knowledge and proficiencies between communities, as well as specialization by communities in production of surpluses from the resources with which nature had especially endowed them, to exchange with other communities for products of the resources of their special endowment. So each produced the products of its natural comparative advantage to exchange for goods it could not produce at all, or could produce only with natural comparative disadvantage. This was specialization on the geographic scale.

Swapping goods was an awkward means of trade within the community, and more so between communities, since it required the coincidence of parties to the trade, each wanting the products of the other, at the same time. So the business began of the trader, who sought out the goods desired by some and customers for the goods of others and bridged the time-lags and distances between the desire and the availability. Traders found the need of a medium of interim settling of accounts, something easly transportable and not perishable. Pelts and precious stones were among the early mediums giving way eventually to coins of precious metal. This established the institution of money.

Before the introduction of money the man who produced more than he consumed had to keep his savings in things such as herds or land or houses. Now he could keep his savings in money liquid and ever available for investment or lending. This was the beginning of liquid capital the financial base of the great specialized economic expansion of modern times.

The greatest specialization of production of all time has occurred in the United States; and the highest levels of material welfare in history have come with it. Several explanations are evident. There is the tremendous wealth and variety of natural resources within a single political jurisdiction without intervening customs barriers differences of currency or substantial differences of laws embracing 170 million relatively affluent customers. There is the fact that these massive resources and this great home market have made possible here as nowhere else the development of a highly specialized technique of mass production in which great investment in plant and machines substitutes the energies of nature for human effort and provides wholesale productions at unit costs below those in other countries, notwithstanding wage scales higher than in other countries. There is the impetus which are specialization and industrialization received from the needs of the two great wars of this century. There is the great generation of savings and capital here, nurtured by relative confidence in the dollar compared to other currencies, which encourages Americans to save and attracts others to leave their savings here—providing generous funds to finance our industrialization. There is the coincidence that this growth has occurred in an era of almost explosive invention and scientific and technological progress. There are our superior publicly provided services, which have blossomed with our economic growth and contribute to it—particularly by reducing the waste of our scarce and costly man-hours. Finally there is our blessed record of immunity from invasion.

The benefits of our massive resource, mass market, massive capital, mass production, and advanced specialization constitute great comparative advantages for Americans. Our resources of land, climate, and water also are great comparative advantages in a world so many of whose inhabitants are land starved; and these advantages are complemented by the advances of our times in agricultural mechanization and technology and in our publicly provided services.

Where lies the opportunity for our children and our investments in the presence of these rich comparative advantages? I believe the question answers itself; the opportunity lies in exploiting the comparative advantages.

Our children will prosper most if they devote themselves to the tasks for which nature and fortunate circumstances provide Americans with comparative advantage—largely tasks in which the specialized efficiencies of machines and technology spare the use of scarce and costly man-hours. They will prosper less in productions in which we are handicapped by natural comparative disadvantage, such as of resources or climate, or by limitations of the scope for substitution of energies of nature for human effort, regardless what sacrifices other Americans may make to protect them. In pursuing the tasks of American comparative advantage, they will want an ever-increasing range of materials, to reap the benefits of continuing invention. Some of these materials will be available only from foreign sources, and others will be available at lesser cost from foreign sources than domestic sources. It will be detrimental to our children's prosperity if United States trade policy denies them access to these foreign sources or makes the access expensive. Their greatest opportunity will be to specialize in the productions of American comparative advantage and to exchange the surplus of their products with the rest of the world for the products of its comparative advantages. They will benefit most by applying themselves to the productions in which machines, technology, and capital most will multiply the products of their efforts, buying from the less fortunate peoples of the world the things of which manual labor is the greatest component of cost.

The trade policy which will permit the greatest use of these opportunities in the ultimate will be a policy of free trade. In time, I believe the interests of the American people will become so convincing that the conclusions will be irresistible, and that free trade will become our policy as it became the policy of England, in similar circumstances, in the third decade after Waterloo.

However, an abrupt shift from the ultraprotectionism of 1930 to free trade would have been too drastic a shock; and I believe that an abrupt shift from the moderated protectionism of today to free trade would be too drastic.

The Trade Agreements Act provided for gradual mitigation of tariffs, accompanied by reciprocal mitigation of foreign tariffs or other impediments against acceptance of our products. Its operation helped to restore our foreign commerce and lift our economy from the depths of the depression of the thirties. It has helped the revival of our foreign commerce since World War II and has helped to secure mitigation or removal of restraints by other governments on imports and payments for our goods, which otherwise would have lingered beyond the period of war-induced necessity. It provides the mechanism for continuing mitigation of our tariff policy and negotiation of mitigations of the protectionist devices of other nations.

Purely on the basis of American self-interest and through the spectacles of domestic considerations, I believe the case is convincing for extension of the Trade Agreements Act for the proposed 5-year period. I regret that the proposal is not to extend it indefinitely.

There are considerations which reach beyond our domestic economy, that must be taken into account.

The American people and Congress are agreed that, in the present state of the world, it is wise for the United States for reasons of its own interest and security to make substantial sacrifices to reinforce the resistance of other nations to the encroachment of totalitarian statism, and to help other nations to maintain governmental solvency, integrity of currency, and balance of international payments, as well as to develop resources valuable to their economies and many of them important to us as sources of needed materials. A part of the background is concern for the national security, which will be the more solid if grounded in a concerted, organized effort for common security, embracing many nations and their resources. A part of it is the importance to our economy of broad markets everywhere and the growing importance to us of foreign sources of many materials, some of them awaiting development.

Since the war, we have spent great sums in aid to other countries, under the headings of military aid, economic aid, and agricultural surplus disposal. This is taxpayers' money, and the cost is running in the neighborhood of $5 billion annually.

In the main, this foreign aid is in the form of goods for which we do not receive payment in dollars. If we imported more goods, paying for them in dollars, clearly we could collect dollars for more of the goods that now are given away at the expense of our taxpayers. If we imported more goods, the prospect of returns on American private investment abroad and foreign loans would improve, and the volume of such investments and loans would increase; and clearly this, too, would diminish the need for gifts at the expense of the taxpayer. So it is clear that increased imports offer the principal means of diminishing the burden on the American taxpayer for foreign aid, until such time as improved conditions in the world terminate the need for it.

Since we regard a concert of nations dedicated to joint security and resistance against totalitarian statist encroachment as a necessity for our security, we have to look at certain problems through the spectacles of other nations. It is humiliating to the people of any nation to depend on gifts from another nation. Self-respect demands even exchange, in which each nation earns and pays for what it receives. So the satisfaction of the craving for self-respect which all peoples feel depends on our taking from other nations in the aggregate as much as we give them. This does not necessarily mean that the exchanges of goods must exactly balance. It does mean that they must be close enough to a balance so that the flows of investment, loan, and service accounts can bridge the difference. In the interest of the success of our concert with other nations, this has to be our goal, and the other nations have to know it. Therefore, a reliable and constant liberal direction in our trade policy is requisite to the success of that concert.

There is another aspect of world developments which we would do well to take account of. The benefits of our mass market and mass production have not gone unnoticed elsewhere. The more advanced foreign nations generally would like best of all to be embraced within our mass market through worldwide adoption of free trade, or at least through adoption of it reciprocally between themselves and us. But they cannot realize this desire until we acquiesce.

In the circumstances, groups of other nations are creating their own mass markets. The greatest in terms of population is the one behind the Iron Curtain, which already exists. The greatest in terms of resources is the European Common Market, which France, Italy, Germany, the Netherlands, Belgium, and Luxembourg have formed, obligating themselves gradually to eliminate tariffs between them within about 12 years. England, the Scandinavian countries, Austria, Switzerland, and Portugal are negotiating with the Common Market countries for a kind of associate membership, the whole to be called a free-trade area. The United Arab Republic may become the nucleus of another common market; and preliminary studies are in course of the feasibility of a Latin American Common Market.

The nations of the European Common Market have agreed to adopt uniform external tariff rates, which will involve increases in some cases and decreases in others. They are committed, as contracting parties in the General Agreement on Tariffs and Trade (GATT), to negotiate with the other parties to the general agreement on any changes adversely affecting the latter. The major steps in the determination of their external tariff rates will occur during the next 5 years. They are obligated to negotiate with us, so long as they and we are parties to the general agreement.

If we fail to extend the Trade Agreements Act, under the authority of which our Government became a party to the general agreement, it will be notice to the other contracting parties that we no longer will be wholehearted member of it, if indeed we continue to be members at all. The general agreement would be an empty shell without participation of the world's greatest trading nation; and whether it continued at all or only as a shell would be unimportant. In neither event would the obligation of the European Common Market nations of reciprocal negotiation with us be of impressive validity. Moreover, the lapsing of the act would leave our Government without authority to make concessions reciprocal with those we might want from the Common Market nations.

Under these conditions, it is of the utmost importance that the negotiating authority of our Government be extended through the full 5 years of the negotiating phase of the Common Market.

(The committee was adjourned at 1:30 p. m., to reconvene at 10:05 a. m., Thursday, June 26, 1958.)

TRADE AGREEMENTS ACT EXTENSION

THURSDAY, JUNE 26, 1958

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

The committee met, pursuant to recess, at 10:05 a. m., in room 312 Senate Office Building, Senator J. Allen Frear, Jr., presiding.

Present: Senators Frear (presiding), Long, Flanders, Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

Senator FREAR. The committee will come to order.

The first witness this morning is Mr. A. B. Sparboe, of the Chamber of Commerce of the United States.

Mr. Sparboe?

STATEMENT OF A. B. SPARBOE, VICE PRESIDENT, PILLSBURY MILLS, INC., REPRESENTING THE CHAMBER OF COMMERCE OF THE UNITED STATES

Mr. SPARBOE. Mr. Chairman and members of the committee, my name is A. B. Sparboe, and I am vice president of Pillsbury Mills, Inc., of Minneapolis.

Senator FREAR. That is a pretty big company.

Mr. SPARBOE. It is a little outfit in Minnesota. I think Senator Carlson is familiar with it.

Senator CARLSON. Yes; I would agree to that statement.

Mr. SPARBOE. I appear on behalf of the Chamber of Commerce of the United States to present its views on renewal of the Reciprocal Trade Agreements Act. I am a member of its Foreign Commerce Committee.

The Chamber of Commerce of the United States is a national federation of over 3,450 trade and professional associations and State and local chambers, with an underlying membership of 2,500,000 businessmen, and over 22,000 direct business members.

The chamber membership has supported the reciprocal trade agreements program since its inception 24 years ago.

Recognizing the diverse and sometimes conflicting interest of our membership, we have sought a common denominator to serve as the basis of our recommendations.

This common denominator is the national interest.

The Trade Agreements Act, by lowering barriers to trade, results in a net gain to the economy and hence is in the national interest. That is why the chamber supports it. Those policies which encourage and foster the growth of international trade lead to increased productivity and more efficient production, and bring about lower costs and lower prices. Thus trade raises the level of real income and our standard of living.

The concept of the national interest in trade policy must start with the principle that the objective is to strengthen the national economy. Beyond that, the national interest must be concerned with the relation of trade to the defense and security of the United States, including its effect on foreign relations.

H. R. 12591, as passed by the House, would renew the Reciprocal Trade Agreements Act with certain changes. The national chamber makes the following recommendations:

1. That the act be extended for 5 years as provided in H. R. 12591. This is essential for consistent adherence to a policy of expanding world trade.

2. That the President also be granted authority to lower tariffs on a gradual and selective basis in return for trade benefits from other countries.

The alternative methods of reduction set forth in the bill appear sound. Action under this authority would, of course, be subject to the peril point procedures of the law and to the escape-clause safeguards.

3. That the proposal (contained in sec. 3 of the bill) not be approved which would authorize the President to raise duties as much as 50 percent above the duties in effect January 1, 1945, as in present law.

The present Trade Agreements Act already provides considerable authority in this direction. The new proposal would use the base rates of July 1, 1934, the highest in our history. This would not seem to be realistic, necessary or desirable. The existence of such authority would increase the element of uncertainty in United States trade policy.

To include in the act a provision essentially capable of vitiating the program's objective of fostering the healthy expansion of trade seems inconsistent.

4. That the proposal for technical change in peril-point action, directed to achieving more prompt and effective consideration of serious injury cases, be approved.

With reference to the proposal by which the Congress may, within a 60-day period and by a two-thirds vote of each house, overrule presidential disapproval of the Tariff Commission's recommendations making them final—the chamber finds no essential objection.

Such a provision would not be inconsistent with implicit authority which the Congress now has. But the President's responsibility for full consideration of questions affecting the national interest in escape clause actions should be maintained.

Such considerations as the requirements of the domestic economy and the effect of the findings and recommendations of the Tariff Commission on other producers and consumers in the United States, including their effect upon the jobs of those producing for export, as well as foreign policy implications, are of vital importance to the proper and effective administration of the Trade Agreements Act.

The effect that one coures of action or another would have upon the best interests of the United States is peculiarly within the province of the President, as a constitutional responsibility.

The Tariff Commission, on the other hand, has only a limited responsibility—to find whether or not in its opinion there is injury to a domestic industry as a result of imports and to make recommendations to the President based upon such findings.

It should be kept in mind that the act contains provisions to insure that tariff reductions are carried out on a selective basis in such a way as not to seriously injure domestic industry.

These limitations on the President's authority are contained in the peril-point amendment which requires Tariff Commission investigation of all concessions before they are made, and in an escape-clause provision which permits the President, upon the recommendation of the Tariff Commission, to withdraw or modify a concession after it has gone into effect.

Further, both the Tariff Commission and the President are at present required to report separately to the Congress annually on the program, with divergent decisions reported as they occur.

The reciprocal trade agreements program is the means through which the Uinted States is able to participate in cooperative measures to expand international trade by reduction of tariffs and other trade barriers on a mutually advantageous basis. International trade is a powerful weapon for peace.

Moreover, it is essential to the continued expansion of the economy of the United States. It benefits the consumer, spurs long-term economic growth and conforms to the spirit of a free enterprise economy.

The program, a basic segment of United States foreign economic policy for a quarter century, faces new challenges, bringing new urgency for maintaining effective negotiating power and making the extension of a workable Trade Agreements Act most imperative.

An aggressive offensive in the economic field is a new and dangerous weapon in the Soviet's quest for world domination.

Russia seeks to tie other areas to the Soviet orbit and to exploit any possible trade difficulties of the free world.

It must be remembered that many of the countries friendly to the United States must trade to live. If they cannot trade with us on mutually agreeable terms, they will surely trade with others. This is evident in the fact that the U. S. S. R. sold $2.1 billion worth of merchandise last year to the free world—a startling increase of 70 percent in 4 years.

In no area is there perhaps a sharper contrast between the policies and practices of the U. S. S. R. and the United States than in the trade field.

Their efforts to expand trade with the free world have been primarily through bilateral trade agreements and specific barter deals—completely government controlled.

The United States, on the other hand, is dedicated to the concept of free nations bound together by peaceful trading relationships. Its foreign trade is carried on by private traders whose decisions are based on consideration of the market place—not by political motivations.

The objective should be to minimize Government controls over trade so that the influence of free competitive enterprise can have maximum impact.

A competitive system, responsive to the market, serves to stimulate efficient production, lower costs, and lower prices. It serves also to raise real income and standards of living.

Today the United States has a unique role among the free nations. With only 6 percent of the world's population, the United States produces about 40 percent of the world's goods and services.

Our output is almost twice that of the United Kingdom, France, West Germany, and Italy combined. We buy 15 percent of the world's imports, and we account for 20 percent of the world's exports.

The Reciprocal Trade Agreements Act, conceived as a means of easing the barriers to United States exports and imports, has become a symbol of international trade cooperation.

As the world's greatest trading Nation, the United States has a tremendous stake in maintaining the most effective negotiating authority and bargaining power possible.

In 1957, for example, United States exports were valued at $19.5 billion, with imports amounting to $13.2 billion. It has been officially estimated that 4,500,000 United States workers are dependent on foreign trade for their jobs.

The United States consistently exports more than it imports.

Generally speaking, foreign countries can pay for United States goods only to the extent that they can earn dollars by selling to the United States.

In recent years, however, a large part of the dollar difference has been covered by various foreign assistance and mutual defense programs. While these may be justified, it is nevertheless true that a consistent and continuously large export surplus financed out of the tax revenue is neither economic nor in keeping with the position of the United States as a creditor nation.

It must be remembered that in addition to increasing the dollar exchange available abroad for potential buyers of United States exports, a primary national economic gain from foreign trade centers in the imports for which our exports are exchanged.

Furthermore, not all payments for imports go to other countries. Few people seem to realize that a considerable percentage of many of our imports come from foreign subsidiaries and branches of United States companies. Many United States corporations in an effort to meet the expanding raw material needs of modern industry, have risked capital and have explored and developed new and rich resources in many parts of the world.

For instance, in 1955 (the latest figures) United States producers abroad supplied 88 percent of crude oil imports; 96 percent of aluminum imports (including bauxite); 87 percent of nickel imports; 72 percent of copper imports; 85 percent of iron imports; 50 percent of lead imports; and 73 percent of imports of paper-base stocks.

In total, United States companies abroad provided 23 percent of our 1955 commodity imports. Thus, many American companies benefit by being able to sell imports to the United States.

Our own resources are not sufficient to afford the wastes that come from general and grievous departures from the principles of liberal trade policy.

Criticism of the Reciprocal Trade Agreements Act has centered largely on the matter of serious injury to domestic industries by competitive imports. While the producers who may be affected adversely by imports represent a relatively small segment of American production, they are nonetheless an important segment and the incidence of injury cannot be disregarded.

It is, therefore, vital that a means for affording reasonable relief for injury to such producers be continued in the law.

For this reason, also, the chamber has stressed the need for the gradual and selective adjustment of tariffs, with provision for modification or withdrawal of concessions in order to deal with unforeseen developments seriously injurious to domestic producers.

We believe that proper safeguards exist in the present law and that tariff relief for industries during a period of adjustment is adequately provided.

The proposal to speed up escape-clause action is a desirable one. In all cases, determination of injury due to imports should be judged in the light of the national interest.

Only in this way can the sound objectives of reciprocal trade be attained, and all segments of our economy best be served.

We face still another challenge today—the European Common Market and free-trade area. The threat of being shut out of traditional European markets by high tariffs is a matter of acute concern to United States businessmen and labor.

The gradual elimination of trade barriers among the six Common Market countries, coupled with the maintenance of a common tariff against the outside world, will place American exporter to the area at an increasing disadvantage vis-a-vis their competitors within these countries.

Some leading United States industries plan a partial shift from exporting to the area to investing within the area by setting up branches or subsidiaries in Europe or by licensing processes to existing European firms.

In this way, United States firms may produce for the Common Market area and at the same time avoid the tariffs which may be imposed against our exports to the Common Market countries.

American investment will be attracted, also, by the advantages of large-scale operation in a new market of 160 million consumers.

But a continuing flow of United States foreign investment abroad cannot take place indefinitely unless earnings from such investments can be withdrawn in dollars.

The longer run solution lies in expanded trade. The United States must be willing to import on a sufficient scale to enable other countries to meet dividend, interest, and amortization requirements, as well as to pay for the goods they currently buy from the United States.

Both the initial and long-range gains to the United States economy can only be realized by effectively bargaining with the Common Market on a reciprocal basis. Representatives of the European Common Market have stated:

> The European Economic Community stands ready to negotiate reductions in the common tariffs provided other countries meet us half way.

Thus, it is more important now than ever to maintain the President's negotiating authority in an effective form.

Since policies regulating foreign trade so strongly influence many sectors of the economy they are bound to arouse controversy.

However, through the smoke of the constant debate over trade matters, one indisputable fact looms clearly, and should command general agreement: the United States, in self-interest, is irrevocably committed to expanding international trade.

The growth of our industrial might, the welfare of our labor force and the consumer—to say nothing of the success of our foreign relations—all are to a significant degree, dependent upon policies which permit and foster a continued expansion of exports and imports.

Thank you, gentlemen.

Senator FREAR. I have just one question. Does the chamber believe in the formation of a Western Hemisphere common market?

Mr. SPARBOE. As a member of the foreign commerce committee, I am not aware that we have any specific policy; hence, any answer I might give you, I should qualify it on those grounds. I am not aware that they are opposed to it, and, speaking strictly as an exporter, I think a true, devoted exporter would like to see maximum freedom all over the world rather than a series of trading areas because while you have a lesser number of trade conflicts developing, you still have them. However, I suppose one could argue that having a Western Hemisphere area would be better than having, say, 30 or 40 areas.

Senator FREAR. How close to the definition of a free trader are you?

Mr. SPARBOE. I would like to answer it in this way: I realize that you cannot take dope away from a dope fiend without killing him. It is not to say he probably would be better off if he did not take it or, maybe, society should get him off it.

I am also realistic enough to know that many industries are based on and certain economics problems are attached to what we have so that any effort to judge what we should be in 10 years or 50 years or a hundred years, would be to realize that it would have to be a gradual process.

Senator FREAR. Senator Flanders?

Senator FLANDERS. Thank you. Mr. Sparboe, I would like to ask you this question: Are you concerned about the free inflationary trend in American prices as a danger when we face the provisions and possible future of the reciprocal-trade treaties? In other words, does not the continued inflation, which is going on, make us more susceptible to dangerous competition from abroad?

Mr. SPARBOE. I do not disagree, exactly, with your statement, but I should remind you I am equally frightened by the inflation as damaging us not only at home in our standard of living, but also as to our ultimate capacity to continue exporting profitably and to be able to employ the large amount of industry and agriculture which must have increasing outlets in order to remain, should I say, beneficially employed.

So, it is a two-way sword here, I think, Senator Flanders.

Senator FLANDERS. It is a two-way sword. It interferes both with export and exposes us to danger from import.

Mr. SPARBOE. Well, it is another——

Senator FLANDERS. And the third point is what you just mentioned; that it is a bad thing at home. But we are not talking about that particular thing now. We are talking about the effect on exports and imports.

Mr. SPARBOE. Yes, sir.

Senator FLANDERS. If it continues unabated, it would seem to make it difficult for us to export, and it would seem to render us open to competition that we cannot meet from imports.

Now, the question I want to ask is this: Do you feel that this particular type of inflation which we are experiencing now is one which has been contemplated in the background of support for the reciprocal-trade movement in general? Isn't it a new phenomenon?

Mr. SPARBOE. It certainly has been accelerated since—during and since World War II, and I do not suppose it could be said that anybody in or out of Congress or business could foresee or anticipate or relish the prospects of inflation, so I don't suppose in any of our deliberations it ever was taken into account. I don't think it can ever be.

Senator FLANDERS. Of course, the fact that we do not relish it does not mean that we should not look at it.

Mr. SPARBOE. No.

Senator FLANDERS. It won't go away if we stop looking at it.

Mr. SPARBOE. Would you go so far as to say we should try to avoid it?

Senator FLANDERS. Yes.

Mr. SPARBOE. Increasing imports tend to moderate the tendency toward inflation; I am sure you recognize that. It is, Senator Flanders, one break.

Senator FLANDERS. It moderates it by making it impossible for us to compete with foreign imports; that is the way it moderates it. Isn't that true?

Mr. SPARBOE. It tends to, should I say, reduce the appetite for keeping on raising our own costs; that is what we do, raise our own costs.

Senator FLANDERS. Your remedy, then, for the wage-price-profit spiral would be to be a little bit freer with letting in imports as a check on that?

Mr. SPARBOE. Just as I would expect your State to have an opportunity to compete vigorously in Minnesota as a good asset to us to sort of hold down our idea of increasing our costs and wages, I think, to the same extent, imports would provide the same protection; yes, sir.

Senator FLANDERS. Our region has been subjected to that internal competition in connection, particularly, with our textile industries.

Mr. SPARBOE. Yes, sir.

Senator FLANDERS. Large portions of it have moved down into the South. We have not, therefore, been—well, we have not thought seriously of leaving the Union on that account. We have regretfully accepted it. We have tried every possible means of replacing the lost business with new business.

Mr. SPARBOE. Very well done.

Senator FLANDERS. And we have, in general, found that possible. However, as to carrying out of the same thing on a worldwide scale it is a little different. It is psychologically different, of course. We are more resigned, psychologically, to losing business to Alabama than we are to losing it to Japan.

That, probably, is a rationalization, but it, nevertheless, is one of the facts of life. The Alabamians are fellow citizens, and we have lost to them. We have done the best we could, which has been pretty good, by the way.

When it comes not to this industry or that industry but, apparently, wholesale rise of production costs in this country, doesn't that make a different situation from such a thing as the loss of the textile industry to Alabama?

Mr. SPARBOE. Well, permit me to say I do not think it changes it one iota basically, economically. As you said, psychologically, we like to think it should, but I do not think the economics in Windsor, Ontario, are any different than they are in Detroit.

Senator FLANDERS. I cannot accept that notion that there is nothing critical in the wholesale clear-across-the-board. We are suffering at the present time from inflation. It seems to me that it puts a different aspect on reciprocal trade, because it puts a different aspect on foreign competition.

It does not mean that our whole range of industry at once comes into competition, but it does mean that our whole position is weaker than it has been.

Mr. SPARBOE. May I volunteer something, Senator?

Senator FLANDERS. Yes.

Mr. SPARBOE. I am glad you used the name "foreign trade" because so many people think of merely exports and imports.

I should remind all of us that just like you cannot have just white meat or dark meat on a chicken, you have got to be either in favor of the chicken or you have not got any chicken.

You have got to have foreign trade which as you say is imports and exports. So whether we have got inflation or whether we have not or whether we have a competitive situation or not, if you don't like the imports, the dark meat, you won't have the exports or the white meat, so jobs are involved there too and huge industries and agriculture, as Mr. Carlson well knows, are involved.

So I do not think that is as relevant as some people would like because if you are going to destroy one you do both, you destroy the whole chicken.

Senator FLANDERS. I would like to make an irrelevant comment on the subject of dark meat and white meat.

Mrs. Flanders prefers white meat, and I prefer dark meat and it makes a very good combination. [Laughter.]

Mr. SPARBOE. I am not so fortunate——

Senator FLANDERS. Perhaps you could draw some moral from that in the case that you are presenting here.

Mr. SPARBOE. I wish my family were so situated.

Senator FLANDERS. The whole picture of foreign trade and the balance of trade, of course involves a lot of items visible and invisible.

Mr. SPARBOE. Correct.

Senator FLANDERS. Material, goods and services, travel and remittances, and whatnot, a whole list of things. I wish you could agree with me that the particular kind of inflation that we are undergoing now is one which, at the moment, presents serious problems with relation to competition from abroad, and that if not stopped in some way, will increase those complications.

Mr. SPARBOE. I agree with you, sir, except instead of trying to accommodate ourselves to the disease, it seems we should address ourselves toward the disease and cure the inflation rather than the reverse.

I think we are just going to dig our graves if we go in the other direction.

Senator FLANDERS. The real remedy is to cure the disease, and I wish that we had that subject up for discussion, because it is a very pertinent question.

The only remedy I see within the limits of the subject we are discussing at the present time, would be to stimulate somehow the same kind of inflation abroad that we are having here. Have you any suggestions as to that?

Mr. SPARBOE. You mean let them get the measles too?

Senator FLANDERS. Yes.

Mr. SPARBOE. I think some of them are getting them rapidly. Some countries, Colombia, Brazil, Chile in Latin America, they are really suffering from a greater degree of inflation than we are.

Senator FLANDERS. Yes, it is taking hold here and there.

Mr. SPARBOE. Yes, that is true.

Senator FLANDERS. But that is about the only practical or impractical remedy that I have seen for this particular situation. I just simply, Mr. Sparboe, wish to express my concern with the dangers inherent in our inflationary spiral, and to earnestly suggest that at least the administration of the act, and possibly the act itself, take more serious account of this competitive situation than it has in the past.

It is from a conviction that we are facing a new situation with regard to foreign competition, that I am expecting to move for a 3-year extension only. I would also want to see a somewhat more competent and objective examination of the conditions of reciprocal trade, than any report that I have seen has previously made. My present intention is not to put myself in the position of an enemy of the reciprocal trade.

I am simply saying that I think present conditions require a better look at it than we have had in the past. So if you see me or hear of my speaking or voting in that direction, you must not be surprised.

That is all, Mr. Chairman.

Senator FREAR. I suppose to be forewarned is to be forearmed.

Senator Flanders, have you finished?

Senator FLANDERS. Yes.

Senator LONG. Do you regard a protective tariff as a subsidy, Mr. Sparboe?

Mr. SPARBOE. An indirect subsidy, yes, sir.

Senator LONG. A subsidy?

Mr. SPARBOE. It is an indirect subsidy. I do not think it is a direct subsidy, generally speaking, yes, sir.

Senator LONG. You can qualify or modify it, but, if a tariff keeps out the competing product and permits the American industry to sell its product at a higher price, it does amount to a subsidy, does it not?

Mr. SPARBOE. Yes, sir.

Senator LONG. The ideal for trade is that each nation produce those things which it can produce most cheaply and import those things which others can produce most cheaply. Under ideal circumstances this permits a higher standard of living for all peoples, does it not?

Mr. SPARBOE. Certainly.

Senator LONG. What is your view of a nation that tends to become a higher cost producer of practically everything?

How should they go about trading?

Mr. SPARBOE. There is no hocus-pocus way, whether it is General mills or Pillsbury or Uncle Sam. It is our job as producers to accommodate ourselves to the willingness of customers to pay for a thing, and all the other nations are going to have a dandy time trading around us until we wake up to that fact.

And it is the same way with companies who permit their costs to get out of whack.

Senator LONG. Your theory is (a), you should not permit that to happen——

Mr. SPARBOE. Well, you should certainly not encourage it. I know it happens. It happens in companies. We should not permit it but we do sometimes.

Senator LONG. It occurs to me that American costs sometimes tend to keep going up and I wonder what will happen when we become a high cost producer of everything.

Mr. SPARBOE. Well, we will be a more isolationist nation in everything.

Senator LONG. You have to decide what you want to export if you are going to continue to import it and then subsidize that which you decide to import?

Mr. SPARBOE. I would hate to be in that kind of an economy. Compared to what he is scared about, I do not know where it would end up but I think it would be awful.

Senator LONG. Aren't we doing that when we subsidize our farm exports?

Mr. SPARBOE. We are certainly starting on the road.

Senator LONG. This Nation can produce farm commodities much more easily, than most nations.

We have better land, more mechanization and ideal conditions in many respects. We have replanted pine or other types of trees on most of our hill lands under different programs, and the land we are cultivating is that on which production is most economical. We nevertheless tend to be a high-cost producer of some farm commodities and have to subsidize them to get them on the world market; don't we?

Mr. SPARBOE. I think you have neglected to mention the high price support. High costs are one thing, high-price supports are another thing; would you agree?

There are lots of farmers who are getting rich under what you have called, I think erroneously, a high-cost situation. The high cost is there to accomodate the highest cost producers in the country and makes the fellow who has low costs absolutely rich, the result is we have got suffocating surpluses.

Senator LONG. I am not saying we do not have subsidies with regard to the agricultural program. We have surpluses in quite a few other things. I just want to see where all this leads us, because I think we are going to be a high-cost producer of a great many things.

Mr. SPARBOE. Would you agree we are low cost in some?

Senator LONG. We would have to be because we are now exporting more than we are importing; are we not?

Mr. SPARBOE. Yes, sir.

Senator LONG. What do you think about the investments of Americans in established industries whose goods a foreign producer can manufacture more cheaply?

Do you feel that we should try to protect the investments indefinitely or to arrange some standard or period of time in which they would have protection? Or do you think we ought to allow them to be driven out of business at the time the foreign producer becomes the low-cost producer?

Mr. SPARBOE. Senator, I have been in foreign trade nearly 40 years and in domestic trade very little.

But I have never been able to observe any particular difference, if we believe in the private enterprise system and the competitive system as vigorously as we profess to in the United States where we have the Federal Trade Commission and Department of Justice whacking you over the head to compete to death.

I have never been able to convince myself there was never anything wrong in the long pull expecting to do that the minute you get over the border and keep on going, if you expect to deal in the market.

If you want to go for the moon or stay around the wall then you could accommodate ourselves to whatever we choose to do but we cannot, as Mr. Carlson knows, cannot afford to—you are not going to eat all the stuff we are going to produce in agriculture.

You are not going to wear and utilize all of the things that many of our basic industries are capable of producing so it is not a question of what are we going to do; it is a question of what we have got to do, because the customer over there is the boss over whether he is going to take our things and at what price.

Senator LONG. I wonder, Mr. Sparboe, if you would feel the same way if you were in the textile industry.

Suppose that after the war you had said Japan should do things the way we do. Suppose that you had gone to Japan and said, "You have got the wrong kind of machinery. Use mine."

You would have arranged a loan for them, and helped them to get the kind of machinery you had. You would have said, "You have not got your production line organized the right way; do it like we do it."

You would have shown them how to do that and said, "Your labor is not turning out the best way, do it like we do."

They would have had a low labor cost and lower cost of materials and been in a position to produce any given item cheaper than you. What would you have done then? Would you have gone out of business or would you have said, "Wait a minute, let's see if we can't slow this down or turn away from ideal trade."

Mr. SPARBOE. Have some of the textile companies come because of competition in the United States? I am sure they have, some are more clever, more ingenious, have better machinery, and so forth.

It seems to me are we going to concern ourselves about that, keep the fellow out of business who could not compete? Is it bad to do that and yet is it good to deal with the Japanese?

I am not forgetting that the Japanese, but I am reminded that they take and have taken for the last 3 or 4 years more agricultural products than any other country in the world, including cotton. They buy cotton in Memphis exactly like the man in Memphis and have to pay freight all the way over and all the way back, so there is not enough margin to pay the same wage in Memphis after paying all the freight, I don't think.

Senator LONG. My question is, do you think you would feel the same way about that matter if everything you had was invested in the cotton textile business?

Mr. SPARBOE. I can't prove it; but, yes, sir, absolutely as a purist, a foreign trader, I would have to feel that way or I should not be sitting here talking the way I am doing.

Senator LONG. You feel those people should get into some other business?

Mr. SPARBOE. I would say this: Get as efficient as possible because I know this in my own business, we lose markets that we can do nothing about, but if in spite of everything we can conceivably do others can do cheaper or better, under given circumstances we succumb to that. Or we would not believe in a competitive system.

Senator LONG. Would you qualify your views on free trade when it came to a point at which the production of any given commodity was necessary for defense requirements?

Mr. SPARBOE. Oh, yes. Security seems to me superimposed on anything because without that it does not make much difference whether we have got the inflation Senator Flanders worries about, or what you worry about or I do.

Senator LONG. You do recognize the need of maintaining the production of any commodity that would be necessary in the event of war?

Mr. SPARBOE. I would hope the people would have the capacity to do it or else a degree of accommodation to sacrifice.

But there would be some sacrifice involved.

Senator LONG. Thank you very much.

Senator FREAR. Senator Carlson?

Senator CARLSON. Mr. Chairman, Senator Flanders raised such an interesting question with regard to inflation on our trade and with the future increasing the inflationary trend in this Nation and among the nations of the world that I sent out and got the last evening's Washington Star which contains on the financial page an article entitled "Your Money's Worth" by this great financial writer, Sylvia Porter, and it is an interesting thing and I am going to have it placed in the record, but I think it is interesting to note in view of the discussion this morning that—and I quote:

> In terms of strength, the American dollar stands fourth on the list of the world's currencies.
>
> Our money has lost purchasing power at an annual rate of 2.2 percent in the past 10 years. That seemingly modest 2.2-percent yearly rate of depreciation, compounded, means that the 100 cents earned in 1947 buys only 80 cents of goods and services today.
>
> What countries have done better than us?
>
> Switzerland has chalked up the best record of all—with an annual rate of decline in the purchasing power of her franc of 1.2 percent. Germany and Venezuela come in second and third with an annual rate of loss in each currency of 1.5 percent.

In other words, we are fourth among this group of nations which was most interesting. It was an interesting discussion.

Then it goes into the other countries.

I believe it was mentioned here—I am not going to read all of them—United Kingdom has lost 4⁷⁄₁₀ percent; meaning that a hundred cents of money earned in 1947 buys 62 cents worth of goods. France is down to 6.2; Argentina to 16.5 percent.

Mr. Chairman, I ask unanimous consent that this article may be placed in the record, because it was an interesting topic and one that I think has much bearing on the future of not only our trade but I was pleased to note that despite the fact we complain greatly about inflation we are still fourth among the nations of the world in this field.

Senator FREAR. Without objection, it will be placed in the record.

(The article in full is as follows:)

YOUR MONEY'S WORTH

By Sylvia Porter

DOLLAR—FOURTH ON THE LIST

In terms of strength, the American dollar stands fourth on the list of the world's currencies.

Our money has lost purchasing power at an annual rate of 2.2 percent in the past 10 years. That seemingly modest 2.2 percent yearly rate of depreciation, compounded, means that the 100 cents earned in 1947 buys only 80 cents of goods and services today.

What countries have done better than us?

Switzerland has chalked up the best record of all—with an annual rate of decline in the purchasing power of her franc of 1.2 percent. Germany and Venezuela come in second and third with an annual rate of loss in each currency of 1.5 percent.

Then, after us, come the currencies of the rest of the nations of the free world, and as you go down the list the percentage losses in their purchasing power year after year begin to mount at a steep pace.

We have not been alone. The depreciation in the buying power of paper currencies in the last 10 years has been global.

Not 1 of the currencies of 24 nations studied by the First National City Bank of New York has gained in value in this period.

Here is a record of some of the currencies which underlines the trend. In each case, the depreciation of the money is measured by the rise in the country's official cost of living or consumer price index.

Italy: An annual rate of loss of 3 percent—meaning 100 cents earned in Italy in 1947 now buys 74 cents of goods and services.

Canada: An annual rate of loss of 3½ percent—meaning 100 cents earned in 1947 buys 70 cents of goods there today.

Sweden: An annual rate of loss of 4.2 percent—meaning 100 cents of 1947 buys 65 cents of Swedish goods now.

United Kingdom: An annual rate of loss of 4.7 percent—meaning the 100 cents of money earned in 1947 buys 62 cents of British goods today.

France: An annual rate of loss of 6.2 percent—meaning the 100-cent franc of 1947 has a 56-cent value in the marketplace now.

Argentina: An annual rate of loss of 16½ percent—meaning the 100 cents of 1947 pesos is worth 16 cents today.

And Chile: An annual rate of depreciation of 25½ percent—meaning the 100-cent peso of 1947 is now worth only a nickel.

Stacked against this record, the American dollar's depreciation doesn't look so awful. Anyway, we're still in the first five. (Provocatively enough, India is in fifth place with a yearly depreciation only slightly worse than ours—2.3 percent.)

But the warnings of this report cannot be ignored.

For while there is no certainty that "what's past is prologue" in currency history, the odds are staggeringly against real stabilization of the dollar's value in the next 10 years. Massive forces are built into our economy which will be working toward higher prices over the long term; it's not very probable that the dollar you are saving in June 1958 will buy as much overall in June 1968.

Senator CARLSON. I just want to say I appreciate very much your statement this morning representing this great Midwest section as you do. I am sure you realize and I do, too, the value of this program to not only industry but agriculture as a whole and I could get into that in great detail but I am not going to take the time.

I just thank you.

Mr. SPARBOE. Mr. Chairman, I should remind the good Senator from Louisiana, Senator Long, that we, as the United States Chamber of Commerce, strongly support all escape clauses and peril-point procedures which would undertake to deal with the problem that you posed, including defense essentiality.

The Chamber of Commerce of the United States is not for free trade or anything of the sort. The are for the beneficial expansion of trade.

Senator LONG. I think your statement was very consistent, Mr. Sparboe.

Mr. SPARBOE. Thank you, sir.

Senator LONG. I take it there would be some of the agricultural leaders who would not agree with you but you were not speaking for them today.

Mr. SPARBOE. We were not talking about them today.

Senator Carlson is for agriculture and I don't think we are very far apart.

Senator LONG. Thank you.

Senator FREAR. Thank you.

Mr. Philip Cortney, of the United States Council of the International Chamber of Commerce, Inc.

Mr. CORTNEY?

You may proceed, sir.

STATEMENT OF PHILIP CORTNEY, UNITED STATES COUNCIL OF THE INTERNATIONAL CHAMBER OF COMMERCE, INC.

Mr. CORTNEY. Mr. Chairman, and members of the committee, my name is Philip Cortney. I am appearing here today as chairman of the United States Council of the International Chamber of Commerce to testify in support of the bill, H. R. 12591, to extend the Trade Agreements Act. In business life I am the president of Coty, Inc.

The United States council is a private business organization whose membership includes firms and organizations in all fields of American business. The council has long taken an active interest in the question of international trade and has published a number of authoritative studies on various aspects of this question.

The United States council believes that the enactment of the Trade Agreements Extension Act of 1958 as passed by the House is in the national interest, even though it falls short of what the national interest requires.

The case for a liberal foreign trade policy has been presented and documented in detail by other witnesses. I shall therefore take only a few minutes of the committee's time to try to present the case in broader perspective.

The basic facts which would shape American trade policy, if we carefully consulted our own interest, are as follows:

The economy of the United States is heavily dependent on the rest of the world and is steadily becoming more so with the increasing demands of a growing population and with the depletion of our own resources.

Our prosperity has come to depend, and will increasingly depend, on our trade with the rest of the world. Our policy should therefore seek to facilitate international trade.

Our involvement in the world economy is a necessity; a fact and not a theory. This was true in 1934. It is vastly more true today. It was true in 1930 when we overlooked this fact and tried to use trade restriction to cure a depression. It had the opposite effect then. It would be even more certain to have the opposite effect now.

The rest of the world is heavily dependent on us. This is a second basic fact to be taken into account in considering our trade policy. The rest of the world is heavily dependent on us as a supplier, as a market, and as a source of capital.

Other nations watch the ups and downs of American business activity with a concern equal to our own. They also watch our trade policy and are necessarily influenced by it in shaping their own polices.

If our market is restricted they also must fall back on restricted national or regional, markets. If this occurs our access to the markets and resources of the world is correspondingly restricted.

In order to document this last point the United States council conducted a survey last fall among the businessmen associated with the international chamber in other countries. These men are staunch advocates of the free-enterprise system and they are among our best foreign friends.

They are also important customers of, and suppliers to, this nation. I would like to submit for the record as part of this statement a copy of the summary which we made of their replies.

Senator FREAR. Yes, we have that, and it will be made a part of the record.

(The information is as follows:)

As Others See Us

INTRODUCTION

The issues involved in the renewal of the Trade Agreements Act in 1958 are different in many ways from those in previous renewals. Most notable are the following. The need for cooperation among free nations has been greatly increased by the growing economic and military power of the Soviet bloc. The Common Market in Western Europe will create an economic force in the free world with a power comparable to our own. Many more Americans are dependent for their livelihood on foreign trade than ever before in modern times. United States requirements for foreign raw materials are steadily increasing.

Each of these new factors means that the United States in its own self-interest must give more attention to the views of other friendly nations than before. In the field of trade policy this is particularly so. By its very nature trade between nations depends on international agreement as to the conditions for carrying on that trade. The United States can regulate the movement of goods in and out of this country, but the United States Congress cannot dictate the terms on which other countries will permit our goods to enter their territories or the terms on which they will sell goods to us.

It should hardly need to be pointed out that trade between nations has a powerful influence on their political relations. Any country will be likely to strive for friendly relations with the nations which are important customers or suppliers. Conversely if a country restricts the sales of another country this will be a cause of irritation between the two.

The United States council felt that it would be valuable to obtain from the business groups in other friendly countries, similarly associated in the International Chamber of Commerce, their honest appraisal of United States trade policy. These views are summarized here for the added light they shed on the current discussion of United States foreign trade policy.

National committees in 17 other countries, including 8 of our major trading partners, have given us their comments.[1] Together these 17 countries bought half our exports in 1957. The responding national committees include those in highly developed countries as well as those which are less industrialized. Replies from Europe, North America, and Asia were received.

THE POWER AND RESPONSIBILITY OF THE UNITED STATES

The very central position played by the United States in the world was emphasized by many of the other national groups in the ICC. Many noted explicitly that the weight of the United States was such that its policies inevitably would exercise a strong influence on the economic welfare and trade policies of the entire free world.

The Canadian Council of the ICC states, "As the most important creditor nation of modern times, the United States has both responsibility and opportunity."

The German national committee of the ICC had this to say:

"The burden of responsibility upon the Government of the United States of America is particularly heavy since * * * most countries of the Western World regard their [the United States] attitude in matters relating to economic policy as setting the lead. The economic well-being of the free world is closely linked with the decisions on commercial policy taken by the United States of America."

The Indian national committee made the same point in this way:

"In modern times, no nation can afford to live in isolation and the policies of governments have a vital influence not only on international trade, but also on economic and commercial relations generally. By virtue of the important position which your country occupies, politically and economically, in the comity of nations, your government's policies have more than ordinary significance."

Many other national committees commented in a similar vein. For example, the Japanese committee pointed out, "It is the belief of the Japanese national committee that there can be no solution other than the United States, in its position of world economic leadership, to promote the conditions necessary for freer and expanded world trade." The British national committee spoke of the United States as "the greatest creditor country in the world."

The great economic power of the United States often makes it hard for this country to appreciate the extent to which its actions affect other countries. The Canadian Council in its comments brought this point out clearly as follows:

"Exceptions to general policy, which may have appeared of minor import to the United States Government, have often had a major impact on the economics of the countries affected. Canada's total trade (exports plus imports), with the United States, for instance, equals 22 percent of Canada's gross national product, but only 2 percent of the American gross national product. It is quite clear, therefore, that the trade between the two countries is much more important to Canada than to the United States. Nevertheless, Canada is by far the United States' best customer and there is grave doubt in the minds of Canadians that this is recognized by the United States people or by their representatives in the Congress. Each Canadian spends over $15 on American goods for every dollar spent by an American on Canadian goods."

The critical importance of United States trade policy to other friendly nations impels them to keep well informed about developments in this country. The scope and detail of knowledge abroad about the evolution of United States commercial policy stands out in most of the replies received. Many national committees showed that they had an extensive knowledge of the nature of United States legislation and the actions taken pursuant to this legislation. Many were thoroughly familiar with the recommendations contained in the major reviews of United States commercial policy which have been conducted in recent years.

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[1] Replies were received from the national committees listed below (the first eight of these are major trading partners): Belgium, Canada, Germany, India, Italy, Japan, Netherlands, United Kingdom, Australia, Austria, Belgian Congo, Cambodia, Morocco, Portugal, Spain, Turkey, and Yugoslavia.

UNITED STATES TRADE POLICY IS CONSIDERED UNCERTAIN

The theme which recurs most persistently in all the comments received is the uncertainty surrounding United States trade policy. Almost every national committee laid stress on the uncertainty involved in trading with the United States because of the danger that tariffs may be changed by escape clause action. Other causes of uncertainty such as the recurring doubts about the extension of the Trade Agreements Act were also cited.

The following comments show the extent of this feeling:

German national committee: "* * * The German export industry is aware that trade on the United States market involves considerable effort but at the same time it hesitates in many cases to raise the necessary funds for this purpose, because success on a given section of the market would attract the attention of the protectionists and there would be the risk of measures being taken which would turn all the work into a wasted investment."

Italian national committee: "The trend of United States foreign trade policy is characterized by a state of uncertainty."

Moroccan national committee: "Viewed from Morocco the commercial policy of the United States appears very protectionist with customs duties which seem excessively high in relation to the economic power and means of defense of the country."

Dutch national committee: "The reason for this [the reluctance of Dutch manufacturers to try to sell to the United States] is the incalculable risk arising from the unstable foreign trade policy of the United States of America. Selling foreign products in the United States market requires considerable investments, as for market research, advertising, etc. * * * The Dutch manufacturer would be willing to invest these amounts * * * if only he could count on a stable American import policy. But he is reluctant to put his energy into an endeavor to sell to this market, knowing that the situation as it is may change very rapidly to his disadvantage."

Portuguese national committee: "We consider United States trade policy uncertain."

CONTRAST BETWEEN PRINCIPLES AND PRACTICE

Many of the national committees commented on the discrepancy between the avowed intent of the United States Government to promote the growth of international trade and the actual results achieved. Typical are the following:

Australian national committee: "While the United States has given a heartening lead in establishing international institutions for widening world trade and removing trading discriminations, it sometimes appears that the practical effect of individual tariff decisions is to exclude imports which offer successful competition with United States products. This contrast between precept and practice, which we realize arises out of the divergence of interest of the administration and Congress, nevertheless creates an atmosphere of cynicism about American intentions and motives."

Canadian council: "The Canadian Council of the International Chamber of Commerce has been keenly interested in the pronouncement of liberal foreign economic and trade policies by the United States since the end of World War II, but at the same time must register its disappointment in the extent of the implementation of these policies."

British national committee: "* * * the inconsistency is emphasized between the liberalization which the United States advocates in international councils and the freedom from trade discrimination which she demands from others on the one hand and what she practices at home on the other."

Austrian national committee: "United States trade policy is regarded as constructive as far as influenced by the United States administration. Influences issuing from the United States Congress bear a protectionist character conducive to the segregation and isolation of certain areas within the overall field of international trade."

Moroccan national committee: "* * * the present evolution of American commercial policy appears marked by an internal contradiction well illustrated by Mr. John Foster Dulles during a recent press conference.

'In general,' he said, 'the United States favored an enlargement of international trade and a reduction of customs duties; but the legislation also provides for exceptions which can be made if a special situation appears which risks harming an American industry.' "

Indian national committee: "* * * So far as the United States trade policy is concerned, despite the reductions in import duties in recent years, particularly under GATT negotiations, it would seem that the impact on exports to United States of America is not impressive * * * Further, there is a feeling current that the United States customs formalities are also rigid, thus contributing to the restrictive effect on imports * * * In the circumstances, the Indian national committee is somewhat surprised to learn that in the United States there is some agitation for new import restrictions."

Portugese national committee: "Principles better than facts."

German national committee: "The commercial policy of the United States of America does not always appear to be uniform in the view of their trading partners. Protectionist measures such as the escape clause, security clause, one-sided regulations with regard to the Customs Simplification Act, etc., prevent any real alleviation of the laws whose basic conception was liberal when introduced."

THE TREND IN UNITED STATES POLICY AS SEEN FROM ABROAD

The apparent trend in United States commercial policy is alarming to other nations as evidenced by the replies received from other national committees. Many pointed to what appears to them to be a rising sentiment toward protectionism in the United States. The following are typical comments:

Canadian council: "The Canadian council has the distinct impression that the trend of United States foreign-trade policy has become less liberal. There has been an increasing application of escape clauses, both for industrial and agricultural products, and an increasing use of import quotas. * * * Little actual progress has been made in making the United States market more accessible—a goal which has been strongly hoped for in the immediate postwar years."

Australian national comitee: "The trend of United States trade practice in recent years appears to emphasize the protection of local industry against successful imports."

British national committee: "The majority view is perhaps best expressed by this comment from one of our members: 'Trend broadly in the right direction with some erratic sidesteps and reversals.' To many, also, progress appears very slow."

German national committee: "It is with great anxiety that the Federal Republic observes the more marked protectionist tendencies in the United States of America, which—if given a free hand—are bound to increase still further the credit side of the American balance of trade. * * *

"Should a commercial policy with pronounced protectionist features find acceptance in the United States of America, there is the danger that the degree of freedom in world trade attained after the war will be lost again and its place will be taken by an opposing economic and political system of restriction which once before exercised far-reaching effects upon internatoonal trade."

Japanese national committee: "Recently there appears to have been a resurgence of strong protectionistic influences in the Congress, which are attempting to impede the trade liberalization policy of the administration."

Moroccan national committee: "* * * the new program presented by President Eisenhower for widening the legislation on reciprocal agreements contains a disturbing gap. The Trade Agreements Act would contain a clause under which the Tariff Commission would be able to recommend and the President approve increases in customs duties to a level of 50 percent above the tariff rates applied after the 1st of July 1934.

"This clause would be more severe than the one in force at present which provides for raising tariffs 50 percent above the rates in force on the 1st of July 1945. The rates are lower than those of 1934."

In contrast to these comments, the Belgian national committee and the national committee of the Belgian Congo both seem to feel that the trend of United States trade policy is in a liberal direction.

APPRECIATION FOR LIBERAL ACTIONS

It would be misleading to create the impression that the businessmen of other countries did not recognize the extent to which the United States has played a wise role in the development of world trade. A number of national committees balanced adverse comments on specific actions which had harmed their trade with the United States with warm compliments on the leadership which the United States has shown in the past.

Canadian council: "The United States took a leading role in the formation of the General Agreement on Tariffs and Trade and was largely responsible for the creation of the Organization for European Economic Cooperation. Both instruments are devoted to the elimination of quantitative restrictions and the gradual diminution of customs tariffs. The United States executive branch has time and again expressed strong support of these principles and the general level of the American tariff has been gradually reduced."

British national committee: "* * * In spite of irritation, or in some cases exasperation, at unhappy individual experiences, the general tenor of comment and criticism has been restrained and constructive and there is obviously a widespread recognition of American generosity since the war in the wider sphere of international economic relations."

German national committee: "The President and the administration have recognized that a protectionist commercial policy does not carry economic dangers for the United States of America alone."

Indian national committee: "* * * We are fully aware of the generous contributions of the United States to the various underdeveloped countries. India too has been a beneficiary in no small measure and we are thankful for it. It is necessary, however, that the trade policies of the United States should help us in bridging the gap in merchandise trade to the maximum possible."

Japanese national committee: "Since World War II, the United States has assumed a substantial position of world leadership, and as such has been instrumental, from the standpoint of reciprocal trade, in the furtherance of enlargement and liberalization of world trade through the establishment of the General Agreement on Tariffs and Trade organization, and through the multilateral tariff concessions made possible by GATT. * * * In other words due recognition must be accorded to the trade policy of the United States for its basic advocacy of the principle of freer trade, and for the efforts made to act on this principle."

Cambodian national committee: "We have no criticism to make of the commercial policy of the United States which, from our point of view, seems very liberal."

A number of national committees listed specific actions by the United States which had had a favorable effect on their trade with this country. The two most frequently mentioned developments in United States policy were the series of tariff reductions which this country has made in the negotiations undertaken through the General Agreement on Tariffs and Trade (GATT) and the progress in customs simplification.

Under the Trade Agreements Act the President has been empowered since 1934 to negotiate with other nations for reciprocal reductions of tariffs. For the past 10 years the main vehicle for such negotiations has been the GATT. Nearly 90 percent of all dutiable items in the United States tariff schedules have had their tariffs reduced, and there has been a substantial reduction in the level of many duties. The United States in turn has obtained important tariff reductions from its trading partners in the GATT, and the GATT has been an effective instrument for maintaining steady pressure on other nations to reduce their quantitative restrictions.[2]

The United States has also made progress in recent years in simplifying the procedures for moving goods through customs. A series of laws have been enacted by the Congress, and the Customs Bureau has also reduced complexities in a number of cases by administrative action.[3]

Several other actions of recent years were mentioned favorably by one or more national committees. For example, the reinterpretation of the Buy American Act which reduced the degree of preference given domestic suppliers on Federal procurement was singled out. Other actions mentioned favorably include recent treaties of friendship, commerce, and navigation, treaties to reduce double taxation, and the abolition of consular invoices on most commodities.

SPECIFIC ACTIONS WHICH HAVE INJURED OTHERS

The United States has also taken a number of actions in recent years which have hurt the trade of friendly nations. A few of these have been singled out by several of the other national committees as being of particular importance.

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[2] For a full discussion of the GATT see GATT—An Analysis and Appraisal of the General Agreement on Tariffs and Trade, United States council, New York, 1955.

[3] The progress made in customs simplification in the last 10 years is given in Customs Simplification—Progress and Needs, United States council, New York, 1957.

Most frequently cited by other national committees were the various measures, some formal and some informal, by which quotas have been set on the sale of particular commodities to the United States. Several national committees complained of quotas established by the United States under section 22 of the Agricultural Adjustment Act. The voluntary quotas on oil imports and the limitations on the sales of textiles to the United States were also cited as other unfavorable actions. Although the oil-import quotas are officially voluntary by the oil-importing companies, they have been backed by the threat of mandatory quotas if the voluntary restrictions were not observed. Similarly, the limitations on sales of textiles to the United States are nominally voluntary by the governments of the exporting countries, but the threat of American restrictions on these imports was instrumental in persuading these governments to take this action.

Four national committees complained specifically about the tariff quota which has been established on woolen textiles. Under this quota, the tariff on woolen textile imports is increased after imports exceed a set annual limit. The Australian national committee, for example, stated, "Concern has been expressed at the effects on the demand for wool and its competitive position with synthetics consequent on the imposition of higher tariffs on wool textiles when imports exceed 5 percent of domestic production."

Several countries also complained of the frequency with which cases are brought to the Tariff Commission under the escape clause or to the Office of Defense Mobilization under the national-security amendment of the Trade Agreements Act. The British national committee had this to say: "* * * the frequency, and often unjustified nature, of applications of the United States Tariff Commission is felt to operate particularly unfavorably against foreign exporters whose whole production planning may be thrown out of gear by decisions which do not always take all the circumstances into account and in some cases appear to verge on panic measures. The advertising and servicing of many products may also be severely handicapped by such uncertainties as these."

Although mentioned less frequently than the actions already discussed some national committees did complain about the high level of United States tariffs on certain items. In spite of the substantial reductions of United States tariffs which have taken place there are still many which are high. A recent partial check disclosed more than 100 items on which the tariff is 50 percent or more.

A number of other problems were mentioned by one of two national committees. These include continuing difficulties with customs procedures, antidumping investigations which have the effect of dislocating all trade in the product while the investigation is in process, and troubles with the enforcement of the Federal Food and Drug Act as applied to imports.

WHAT DO OTHER COUNTRIES WANT

Most of the other national committees consulted by the United States council expressed views as to the steps which they would most like to see the United States take. United States trade policy should always be determined on the basis of what is considered to be in the best interest of this country, but foreign opinion is a pertinent consideration.

Among the group of nations represented in this survey, there is a distinct preference for a change in the present escape clause which would make it definitely an emergency measure and not simply a means for restricting the imports of a commodity to avoid mere inconvenience for a domestic producer. The German national committee, for example, states, "The most urgent item of interest for German industry as regards the commercial and tariff policy of the United States of America is an amendment of the Trade Agreements Extension Act which gives the escape clause incorporated in 1951 the true stamp of exception. Action before the Tariff Commission should be possible only in really urgent cases."

The Japanese national committee made this comment: "If complete repeal [of the escape clause] is difficult, the clause should be precisely redefined so that it could be invoked only when 'due to unforeseeable circumstances' there is serious dislocation of United States industries and communities as a whole. * * * The escape clause was originally intended to provide temporary relief from loss incurred by domestic industry as a result of foreign competition. Application of the provisions of the escape clause should be only on the basis of serious consideration of the internal and external situation in the light of the national interest, particularly since the United States possesses incomparably greater resources and wealth than other nations, and has had a favorable balance of trade for many years in succession."

In the view of the British national committee, the escape clause "should be invoked only in cases of obvious and serious injury." It went on to point out that "many other countries * * * treat imports much more liberally in these respects."

The desire of many other countries to see the Congress grant the President additional powers to negotiate for lower tariffs on a reciprocal basis follows as a close second to their desire to see the escape clause modified. A typical comment is that received from the Italian national committee: "In order to increase imports from Italy, it is indispensable to empower the President to reduce customs duties. As a matter of fact, the average incidence of American customs rates is moderate—8 to 10 percent—as a result of some raw materials being free of duty, though many manufactured products are still burdened with rates standing at over 50 percent." The British national committee remarked, "Tariff reductions are an essential ingredient of all liberalization measures if their value is not undermined by excessive use of the escape mechanism. It is noted that many United States duties are still not much below 50 percent ad valorem."

A number of national committees listed United States membership in the proposed Organization for Trade Cooperation, which would administer the GATT, as of importance although most did not consider it as of equal importance with the modification of the escape clause or new tariff-reducing authority for the President. It is worth noting, however, that the Canadian council, representing the nation with which we have the biggest volume of trade, considers United States adherence to the OTC as the most important step which we could take. The British national committee reported that some of its members considered United States membership in OTC of first importance, "on the grounds that it affects all industries and also that, being of more enduring effect, it to some extent embraces any shorter-term measures for liberalizing trade."

The Indian national committee reflected an attitude common in the underdeveloped countries when it gave its opinion that the developed countries should pursue a more liberal trade policy than could be expected from the underdeveloped countries. The Indian national committee states:

"Generally speaking, the difference in the levels of development of various countries is also reflected in their trade policies. In other words, it would neither be practicable nor fair and meet to expect both underdeveloped countries and relatively developed countries to pursue identical policies. One should not, therefore, try to compare on all fours, say, the import policy of India and that of the United States. There is a need for a liberal approach on the part of governments in more developed countries, especially of the United States Government. This kind of approach will be in the interest of the United States itself."

Various other measures were suggested by other national committees as desirable although none would rank anything ahead of those previously discussed. Among these less important steps to improve trade relations, the most frequently mentioned was further progress in simplifying United States customs regulations and procedures including tariff definitions and classifications. The Italian national committee pointed out that, "It must not be forgotten that American customs tariff nomenclature is one of the most confused and backward in the world."[4]

Other steps which were mentioned include the desirability of reducing the amount of discrimination shown against foreign suppliers in Federal, State, and local government procurement; steps to reduce the disruption of legitimate trade which can occur in connection with antidumping investigations; and more equitable enforcement of the Food and Drug Act.

CONCLUSION

While this summary of the views of other national committees cannot profess to be a scientific sample of foreign business opinion, it is revealing as to what businessmen in other countries are thinking about United States trade policy. The near unanimity on certain key points is impressive.

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[4] As directed by the Customs Simplification Act of 1954, the Tariff Commission is now preparing a new series of tariff schedules intended to eliminate anomalies in tariff classifications and rates. The Congress will have to determine whether or not these new schedules should be adopted.

While applauding the liberal course of United States trade policy in recent decades, business leaders in other countries expressed serious concern over the current uncertainty surrounding American trade policy. The normal business risks in the dynamic, competitive American market are great. If chronic uncertainty about the rules under which goods will be permitted to enter the United States is added to these business risks, the ability of foreign producers to compete in the American market is greatly reduced. The business leaders consulted place primary emphasis on reducing the uncertainty in United States treatment of imported goods by making changes in the escape clause to make it clear that this clause would be invoked only in exceptional cases where there is genuine dislocation to domestic industry as a result of increased imports.

There is also a strong desire abroad to see the United States carry forward the liberal trade policies of the last quarter century. Second only to reducing uncertainty through changing the escape clause, businessmen in other countries would like to see the President authorized to negotiate for further reciprocal tariff reductions. Other specific changes which would further the mutually beneficial growth of world trade have also been suggested, especially United States adherence to the Organization for Trade Cooperation.

The British national committee reemphasized a fundamental fact when it pointed out, "It cannot be repeated too often that no country can continue indefinitely to export (except unrequited gifts) unless it is prepared to receive imports from other countries in return."

The Canadian council succinctly summed up the position which all the other national committees said in one fashion or another in the following statement:

"A more effective, liberal foreign-trade policy in the United States would strengthen the free world, and, in the long run, the American economy itself. As the most important creditor nation of modern times, the United States has both responsibility and opportunity. A freer foreign-trade policy would tend to reduce balance-of-payments difficulties encountered by other countries and reduce the present constant need for direct United States aid, which has been, and continues to be, generously provided. Such a policy would have favorable psychological effects, as well as economic and financial benefits. A nationwide, determined, and consistent liberal trade policy would be an inspiration to the rest of the free world and of benefit to all."

Mr. Courtney. A third basic fact is that our security and our trade are closely interrelated. A free world torn by trade warfare would be a free world weak and divided in the face of the great threat with which it is confronted. Trade and security were interrelated in 1934, when this legislation was first enacted. But the dangers of restricted free-world trade have now become too clear and too imminent to be disregarded.

These three fundamental and inescapable facts demand a liberal trade policy. The unfortunate fact is, however, that, instead of keeping abreast of the times, our trade legislation has been evolving in the opposite direction. This has come about through a growing tendency to focus our attention narrowly on the problems of a few industries who object to freer trade, and to lose sight of the interests of the Nation as a whole.

In this connection, I refer to the report made by the council's committee on commercial policy based on a year-long study of the legal and economic aspects of the Trade Agreements Act.

This was printed in the House hearings, where it may be consulted by those interested. It gives considerable detail on the trend our trade policy has taken in recent years, and sets forth the views of the United States council on the type of legislation we think is needed.

There has been a shift of emphasis toward trade restriction in the form of the peril-point, escape-clause, and security amendments, and in the successive refinements of these amendments aimed at reducing, rather than increasing international trade.

As a result, a clear sense of direction has been lost, and our policy as expressed in the law has become somewhat ambiguous and equivocal.

Even the pending bill, in some respects, would give new emphasis to the trade-restrictive features of the law, as, for example, in the provision of additional authority for tariff increases up to 50 percent above the highest level of rates this country ever had, and in the new provision whereby articles may be taken off the free list and made dutiable at rates up to 50 percent ad valorem.

The United States council, nevertheless, strongly supports the pending bill. It supports the bill because of the proposed grant of authority to the President which should enable him to make some further progress toward freer international trade, and because of the 5-year extension of that authority instead of the shorter period of 3 years or less, as heretofore.

The 5-year extension is important for two reasons.

First, it will place this Government in a position to deal with the developing situation in Europe and to safeguard the important American interests affected by the creation of the European Common Market.

The importance of these interests and the reasons why a 5-year extension of the authority is needed on this ground have been presented by other witnesses.

The second reason for a 5-year extension is its moral and psychological value. The growth of restrictive elements in the act, the avowed uncertainty of Congress regarding the general agreement, and the congressional reexamination of the policy at relatively short intervals have, together, given American trade policy an aspect of uncertainty which, inevitably, affects the policies of other countries.

A 5-year extension at this juncture would give needed reassurance of our continuing purpose to base our trade relations on negotiations and cooperation with other countries and on an awareness of our mutual interests. Thus, we think, is of paramount importance.

In the present dangerous times, the action we take regarding our trade relations is of critical importance. The present bill, if enacted into law, would have a stimulating and energizing effect on all our friends and allies abroad.

If it is weakened further, there is real risk that an important link in free-world economic defenses will be broken. Because this bill would serve the vital interests of this Nation, we most earnestly recommend favorable action on it.

Senator FREAR. Senator Long?

Senator LONG. I believe you know there has never been a 5-year extension of this act. Three years is the longest period of time for which this reciprocal-trade bill has been passed. I think you know that, don't you?

Mr. CORTNEY. Yes; I am aware of it.

Senator LONG. There has never been any serious doubt on the part of the American business community or our friends abroad that we would extend that program, has there?

Mr. CORTNEY. Oh, yes, Senator. If you are good enough to read this brochure, it will prove to you that one of the main objections against our policy is the uncertainty of our tariff trade policy. You should have no doubt about it, and I assure you, Senator, that it is written by very prominent individuals in the world.

Senator LONG. If I knew how we could assure the Congress, or how we could assure those who rely upon some protection for their industries that Congress would take another look at this matter and pass some other reasonable legislation within a few years, I would be less inclined to vote for a shorter extension than 5 years.

It seems to me that the American business community, would like Congress to take a look at the program from time to time. The only way to assure themselves that this would happen would be for this program to be extended for a short period of time and have a look at it before renewal.

Mr. CORTNEY. Don't you assume some unforseen circumstances because under present day facts I can't see on what ground you would recommend a 3-year extension and not a 5-year extension.

So if you assume something completely unexpected, unless I am wrong, Senator, Congress has the power to bring the issue again before the Congress and ask for an amendment of the 5-year period.

Suppose something extraordinary happens, I don't know what you have in mind, I can't foresee it——

Senator CARLSON. Would you yield on that point?

Last Saturday forenoon, Senator Clinton Anderson was presiding and Secretary Dulles was testifying and he brought up the fact that in 1945 when the Senator from New Mexico and myself were both on the House Ways and Means Committee, of that 25 members, the vote was 12 to 12 for several days and we finally broke it, so it was that close to being defeated at that time, which was interesting, and it shows sometimes you get things so close.

Senator LONG. I have no further questions for the witness.

Senator FREAR. Senator Flanders?

Senator FLANDERS. Mr. Cortney, your name is a familiar one to me, because you have very interesting and enlightening advertising from time to time.

Mr. CORTNEY. Thank you.

Senator FLANDERS. I am glad to see you in person.

Mr. CORTNEY. Thank you.

Senator FLANDERS. And talk with you in person.

I get a general impression, sir, from your statement that you have a feeling that in some way active international trade is good in itself?

Mr. CORTNEY. Yes, Senator; definitely.

Senator FLANDERS. We discussed that question with Mr. Paul Hoffman, yesterday, and if my recollection of the discussion is correct, he wanted to base its excellence on a more specific thing, and that was on the good results of each nation, each country, doing the thing it could do best, and trading its most efficient and effective production for that of some other country.

That is a more specific thing than saying that in some mystical sense that international trade is good in itself.

Do you still feed that it is good irrespective of the particular kind of excellence that Mr. Hoffman stated?

Mr. CORTNEY. I have two convictions, Senator.

One is that expounded by Paul Hoffman. But I have also a deep-rooted conviction that trade makes for friends, and we need friends, and whether we like it or not, we have come to depend more and more on the rest of the world, and the rest of the world is depending more and more on us.

Senator FLANDERS. You expressed that in your second paragraph on page 3.

In looking back to the conditions of trade before the First World War, I have always been puzzled by the fact that that seems to have been a period of more nearly universal free trade than we have ever had.

Great Britain was free trade. I would say this country was not as high tariff as compared with Hawley-Smoot, but tremendous commercial rivalry developed between Germany and Great Britain under free-trade conditions.

Now can we be sure that free trade automatically makes friends?

Mr. CORTNEY. No, Senator. I do not believe anything will automatically make friends. Like any kind of business, Senator, it is a matter of many conditions to obtain friends.

You have in mind peace, I suppose, and peace is not only the result of trade. I say only that trade between nations will favor peace. I do not say it will necessarily prevent war. I never said that.

Senator FLANDERS. Well, I just wanted to suggest that there may be intense commercial rivalry under free-trade conditions. It has happened.

Mr. CORTNEY. That is true.

Senator FLANDERS. And so that we cannot completely equate freedom of trade with peace.

Mr. CORTNEY. Except that trade restrictions create conditions favorable to conflicts between nations.

Senator FLANDERS. Not completely.

Mr. CORTNEY. Senator, if I may give the example of Germany during the Hitler regime. We blundered into war after the 1914 war, we really blundered into that war, there was no real reason for it except the blunders of a few statesmen.

Hitler wanted the second World War and trade interference was an instrument of bringing it about.

Senator FLANDERS. Well, this is just a personal point of view, as I saw it, and I was in Europe early in 1914. It seemed to me that Germany had defeated Great Britain in the contest for world markets and that the Kaiser insanely wanted to put the seal of military defeat on the fact of commercial defeat. That is the way it looked to me at the time.

Mr. CORTNEY. Yes, to a certain extent.

Senator FLANDERS. I have not seen any reason to change that view. But I just wanted to bring out they are closely interrelated. I will accept that phrase. But they are not equated.

Now, the discussions we have had here as to the advantages of reciprocal trade have largely been related to that possibility which I just expressed of each nation doing that which it could do most efficiently and exchanging its efficient products or services for the efficient products and services of other countries.

Now, I would like to inquire—first, I assume you accept that?

Mr. CORTNEY. It is simply competition.

Senator FLANDERS. I beg pardon?

Mr. CORTNEY. It does not mean anything else but competition.

Senator FLANDERS. It means competition?

Mr. CORTNEY. Yes.

Senator FLANDERS. And business going to the most efficient?

Mr. CORTNEY. And we stand for competition, I am sure.

Senator FLANDERS. Yes.

Now I would next ask you whether in view of your acceptance of that principle you feel that the peril point and the escape clause prevent the good results of freer trade.

I have the impression from your paper that you are a little bit dubious about peril point and the escape clause.

Mr. CORTNEY. Senator, the position of the council is in this brochure which would be attached to the statement.

Senator FLANDERS. At the top of page 4? I have not read the brochure.

Mr. CORTNEY. Yes.

Senator FLANDERS. From the first full paragraph on the top of page 4, I get the impression that you feel that we are losing some of the benefits of the reciprocal trade treaties by the shift of emphasis toward trade restriction in the form of the peril point, escape clause and security amendments.

Mr. CORTNEY. Definitely, Senator.

Senator FLANDERS. Yes.

Mr. CORTNEY. I believe that making it too easy to raise tariffs simply because somebody invokes injury, which is always difficult to disprove, is one way of damaging the results of the Trade Agreements Act.

Senator FLANDERS. Would you then definitely say that from your own point of view we should do away with the peril point and the escape clause and the security amendments?

Mr. CORTNEY. Senator, I am here on behalf of the United States Council, and the position of the council is clearly stated.

Now you ask my own viewpoint; I think we should do away with the escape-clause and the peril-point.

I believe these are harming international trade. We ought to know at the time when we negotiate reductions in tariffs, whether we should concede any reduction or not. Nothing is worse for international trade than uncertainty, Senator.

Senator FLANDERS. Well, I think then that your personal position is fairly clear. But you also have an institutional position to present.

Mr. CORTNEY. That is right.

Now, Senator Flanders, the institutional position is—I am going to read it to you—it is very short.

> The United States Council urges the revision of the present escape clause provisions with two general purposes in view: First, to reduce the danger that unnecessary escape clause actions will be taken at the expense of the general interest; and, second, to limit any action taken in such a way as to minimize the damage to international trade.

Senator FLANDERS. What page is that on?

Mr. CORTNEY. It is page 12 of the brochure A modern Trade Agreements Act, Key to World Markets.

Senator FLANDERS. It is not this one?

Mr. CORTNEY. No; it is a different brochure.

Senator FLANDERS. We do not have this?

Mr. CORTNEY. It is attached to the hearings of the House. The brochure attached to my statement is a survey of foreign-business men, while this is a brochure that our commercial policy committee prepared.

It was attached to the proceedings of the House.

Senator FLANDERS. Thank you. Of course this paragraph as read will go into the record.

Senator FREAR. Yes, sir.

Senator FLANDERS. I am assuming that the benefits to be—that benefits will be derived in the long run by this country from this movement toward having each of the trading nations of the world doing that which it can do most efficiently. On that assumption some of our own industries would, in a sense, be marked up and others be marked down.

Some would be stimulated by their own efforts, and others unable to meet competition, would go down in their ability to meet world trade conditions.

Some industries would disappear from some countries—from our country—and other industries will increase. As to what disappears, and what increases, the decisions of the GATT will have a very important effect.

It seems to me a rather perilous thing to say to this industry: "We are going to make it more difficult for you to compete"—and mark it really for disappearance by removal of tariffs.

It is quite a responsibility to take. I hope you would agree that these things should be done only gradually.

Mr. CORTNEY. This is what the Trade Agreements Act has always provided for, and besides, Senator, may I respectfully draw to your attention that on our domestic market here, businesses disappear every day because of keen competition.

You would be shocked if I would tell you how often my own company is hurt by some new product which is brought out by competitors.

Now should I go to the Government and complain about it?

Senator, I share the conviction that either we are free men and responsible for our acts or we stop being free men.

It is as simple as that.

Senator FLANDERS. In this hearing, the previous witness and I had a discussion as to the effect of internal competition in the United States in the textile industries going from New England to the South.

We suffered from that, but we accepted it.

Now it seems to me the conditions are a little bit more serious in world trade and particularly so far as the smaller businesses are concerned.

I have used as a type, a very small business, it is the business of making spring clothes pins, and I am known to the Tariff Commission and to the President's economic advisers as a man who appears on behalf of the makers of spring clothes pins in the United States.

Now it is a fact that we have two factories of that industry in my State, but I am more concerned about the principles involved.

It has seemed to me that to carry out in full force the doctrine of the advantages of differential costs as between nations and industries, that the burden of giving up the fight will have to fall in too great a degree on small industries, of which I use the spring clothes pin as the type.

It is the big industries, with widely varied products which will best adapt themselves to changes in the tariffs and increases in competition.

I do not like to see that added to the present handicaps of small business, I do not like to see that added to it, because I have a very strong sympathetic feeling for the small town and the small business as a way of life.

I do not like to see that way of life disappear, and I very much fear that it will tend to disappear more rapidly than big business disappears, as we reduce these tariffs on the products of small industries.

I am glad of the peril point and I am glad of the escape clause. It preserves something that is a way of life which I would not want to see disappear.

Mr. CORTNEY. Senator, I am not aware of any industry which matters to this country, which has disappeared because of the Reciprocal Trade Agreements Act.

I am not aware of any.

And, secondly, Senator, may I also respectfully draw your attention to the following fact: When we talk about these matters, we see the obvious thing, but we do not see the facts which are not apparent.

We see whoever claims that he has been injured by imports, but we do not see those who have been hurt because we do not export. In fact, it strikes me that there are so many more people involved and interested in exports than there are in imports, and yet those who make the biggest noise are those who claim to be injured by imports and not those who are engaged in exports.

It is a great puzzle to me. There are certainly 4½ million American people involved in the export trade one way or the other and they should really clamor for the reciprocal trade agreement.

Instead of that, we hear chiefly noise from people who are hurt, who are supposed to be hurt by imports.

Be what may, the United States council has accepted the position that in certain cases the escape clause is good so that I am not going to defend my own convictions against those whom I am representing, namely, the trustees of the United States council. I have to abide by their position.

Senator FLANDERS. Well, Mr. Chairman, I will be very brief for the remainder.

I just want to say that I have some intimate knowledge of 1 area, which is my own State, and of 1 industry, which is the industry in which I made my living for 50 years, lacking 2 months, when I came here to the Senate.

The State is Vermont. The industry——

Mr. CORTNEY. I know.

Senator FLANDERS. Is the machine-tool industry.

Now the machine-tool industry has been an exporting industry.

The company with which I was connected before I came here, had agencies and branch offices in Europe and sold machinery as far away as what we now call Indonesia, before the turn of the century.

I see that industry less and less able to export. It is compelled—and I do not think it is necessarily a bad thing—more and more to establish branch plants abroad in order to be able to compete for foreign business.

Now that is a tendency, and I just call attention to that as something that is happening. It seems to me pertinent to this subject we are discussing.

My other field of knowledge is my own State, and I see various local industries making heavy weather of it, not merely the clothespin industry, but the textile industries, and the plywood industries, due to foreign competition. I am not willing to think of these particular small industries impersonally, statistically, objectively.

I just cannot do it, particularly since it seems to me to represent, as I said, a way of life which I would not like to see lost.

That is one of my difficulties in dealing with this whole subject.

Mr. CORTNEY. Senator, I appreciate your sentiments; they are quite natural and they do you honor.

But what would these small industries do if some new devices were discovered, and that happens every day?

Take for example the famous zipper which our ladies are wearing now——

Senator FLANDERS. We do not have any button factories in Vermont.

Mr. CORTNEY. You see, but some States have button factories. No one likes to be hurt in his daily life.

I do not like it when I am hurt by my competitors.

I do not like it when I am hurt by the $64,000 program on TV, and so forth and so on, and you would be interested that when you speak to Europeans they will tell you the following thing "We cannot compete with the United States."

You are aware that we are exporting nearly $9 billion of finished goods with a high labor content and importing only about $2 billion.

These are the figures for 1957.

Now the Europeans tell me, How can we compete with the American industries? You have got a very big market, mass production, mass consumption, low interest rates on capital, an abundance of savings and capital, cheap fuel and energy, and all kinds of advantages which we have not got and therefore how can we compete with you?

Senator, my conviction, reached during a long life is that we ought to erect a statue to the price mechanism. This is the great master and the protector of our liberty.

We can always interfere with the price mechanism but we shall interfere only at the risk of our freedom.

Senator FLANDERS. Nevertheless, the things in which we are strongest are now having heavy going. It is not so easy for the automobile, it is not so easy for other mass-produced machinery to meet European competition as it used to be.

The expansion is in a considerable measure taking place abroad instead of here. I think we have got to look at those things. So I feel in a very friendly frame of mind toward the peril point and the escape clause.

Mr. CORTNEY. Senator, you raised the issue of the automobile industry and I cannot resist the temptation to make the following remark——

Senator FLANDERS. I can make the same remarks you are going to make, but you make them.

I think I might find you in agreement.

Mr. CORTNEY. I find it abnormal and not good for our own sake and very detrimental to the rest of the world, that one year we should be producing 7½ million automobiles and the next year we should not know whether we can produce 4 million automobiles.

It is simply due to a lack of restraint and unless we put some wisdom in the management of our domestic affairs we shall be in trouble and the rest of the world will be in trouble together with us, Senator.

Senator FLANDERS. On the automobile, let me say that I believe the industry has made its own difficulties.

Mr. CORTNEY. That is right.

Senator FLANDERS. You and I agree on that, don't we?

Mr. CORTNEY. That is right, Senator, that is exactly what I wanted to say.

Senator FLANDERS. The fact is however that it is going to be difficult to compete under sensible conditions with our wage rates and with the extension of our productive methods abroad by the same companies who are making automobiles here. Ford, General Motors, and others have their factories abroad and that is the tendency. Just what the end will be, I don't know.

But, I still am grateful for the escape clause and the peril point. You and I will agree to disagree on that.

Mr. CORTNEY. May I tell you, Senator, I began my business career by importing into this country steel back in 1924?

Senator FLANDERS. In what?

Mr. CORTNEY. In the United States, to import into the United States, steel.

Senator FLANDERS. Yes.

Mr. CORTNEY. Now it took me about a year of investigation of the market and I spent lots of money for—or what was lots of money for me at that time—to know how to import here, to whom should I sell, and how should I sell.

If there had been any escape clause at that time I would not have done it, and I know many people who have benefited from the imports I have brought into the United States. I could deliver a speech for 1 hour on this subject.

Senator FREAR. Let's limit that a little bit this morning, sir. [Laughter.]

Senator Carlson?

Senator CARLSON. I have no questions.

Senator FREAR. As you recognize, we do not like to limit the time of our witnesses, Mr. Cortney, but we do have a long list and we try to be courteous to all of them and I want to say to you——

Mr. CORTNEY. Yes, sir.

Senator FREAR. To you a personal message, that the company of which you are president has an establishment in my hometown and we are very proud of it.

Mr. CORTNEY. Thank you, Mr. Chairman.

Senator FLANDERS. May I apologize to the succeeding witnesses for the lengt' of time that I have taken?

Senat FREAR. I am sure they will accept it, Senator.

Mr. CORTNEY. Thank you, Mr. Chairman.

Senator FREAR. You are welcome.

I understand Mr. Trescher has relinquished his time temporarily to Mr. Charles H. Percy, Committee for a National Trade Policy, because of your urgent departure time.

STATEMENT OF CHARLES H. PERCY, PRESIDENT, BELL & HOWELL CO., CHICAGO, ILL., REPRESENTING THE COMMITTEE FOR A NATIONAL TRADE POLICY, INC.

Mr. PERCY. Mr. Chairman, I am appearing this morning on behalf of the Committee on National Trade Policy.

Would it be possible for me to submit this testimony in writing and use the few minutes that we have to just talk from my own experience and present practical examples of some of the problems we are facing in foreign competition and possible solutions for them. Also to report to you on the significance of two meetings I have attended this month?

The first one was in Europe early this month.

Senator LONG. May I suggest the witness have a seat there?

Mr. PERCY. Yes. Thank you.

Senator LONG. May I ask, Mr. Chairman, that this statement be incorporated in the record so Mr. Percy may comment from it?

Mr. PERCY. Thank you.

Senator FREAR. Without objection, the statement of the witness will be made a part of the record.

Mr. PERCY. The reasons that I feel that it might be more useful to report directly to you on these two meetings are their pertinence and the fact that the discussions embody most of the principles that have been talked about in this committee.

The first was a meeting in Europe early this month with the representatives, top industrialists, of 10 of the Atlantic Community countries, the American delegation being headed by Mr. David Rockefeller, and the European delegation by Dr. Fritz Berg, who is the chairman of the Council of European Industrial Federations.

The second meeting was early this week, 2 days ago, with 13 top Russian industrialists. I think it might be interesting to tell you of my observations made over a period of a day and a quarter of intensive questioning on both sides.

Senator FREAR. Where was that meeting?

Senator FLANDERS. Who did you say these industrialists were?

Mr. PERCY. These were 13 Russian industrialists who are on exchange visits, and Bell & Howell was 1 of 6 companies that the State Department asked to participate so as to enable industrialists from this country to go to Russia and see the counterpart type of plants over there.

The statement that I am submitting in writing this morning is made on behalf of the Committee for National Trade Policy. This committee has 29 directors and they represent the heads of such companies as National Cash Register, General Mills, Gillette Co., Jack McCloy, the chairman of the Chase Manhattan Bank; Tom Watson, president IBM; Ralph F. Straus, director of R. H. Macy.

This is a committee of people interested in expanding the trade of this country and they represent a cross section of agriculture, industry, labor and 126 national organizations who believe in this expanded trade policy.

Senator LONG. May I just ask one question there?

Mr. PERCY. Yes.

Senator LONG. I do not mean to be critical but I keep seeing some of the same names appearing time and again.

Is there any limit to how many of these corporations can belong? Some companies appear to belong to all of them. Do you exclude anyone or do you accept everybody who wants to be on your committee?

Mr. PERCY. No, sir; these directors are elected by the committee on invitation of the board and they have agreed to serve for a period of a year or longer in their individual capacities.

These are representatives—they are perhaps not representing the point of view of their company but they are there as individuals.

Senator LONG. Yes.

Mr. PERCY. And the membership of the board changes as it does in the board of a company from time to time.

The first examples I would like to present come from my own experience in the photographic industry. This is my 20th year in that industry which is traditionally a highly protected industry.

We have had high tariffs, and the industry point of view has favored high tariffs for the products coming into this country.

I have seen and been in most of the photographic plants of the world. I have been in photographic plants several times in Japan, and seen people making products comparable to ours and earning 30 cents an hour; in Germany, 45 cents an hour; in Switzerland, 70 cents an hour. It is very hard to name a country that does not today manufacture photographic products.

This year I was in a Swiss plant that is our largest competitor from abroad. They extended the courtesy to me in an exchange visit. They visited our plants and I visited theirs. It was very interesting when your committee talked about inflation earlier this morning to see one of the ways that Switzerland has been able to maintain a fairly sound Swiss franc.

In visiting this plant, which was 144 years old and our largest competitor abroad, I was quite surprised to see that of their three-quarters of a million square feet of manufacturing space no plant was older than 8 years, and that the machine tools within that plant were the most modern of any plants I have visited.

I asked them how a company of that size could possibly afford that type of equipment and all new plants. They said "We cannot afford not to. The Government encourages us to keep our equipment and our plants up to date through tax incentives. We are allowed to write off our plants at 15 percent a year and our machine tools 100 percent in the first year of their purchase. This is in contrast with tax laws in the United States that allow only a 2½ percent amortization on buildings and 16 to 17 years for machine tools.

I think this is an important way to fight inflation. We can only fight inflation and increasing costs by capital investment and I think it is a sad commentary on this country and its tax system that we tax capital investment at a much higher rate than most other countries do.

As to how a company can meet such competition from abroad, I would like to turn to Bell & Howell's experience.

We have some 4,000 employees. We are the largest manufacturer in the world essentially devoting our efforts to motion-picture equipment. There are well-established industries in England, Switzerland, Austria, Germany, and Japan competing against us.

The first example is a camera with which I am quite familiar, because in this country we used to have low cost labor at one time and I was part of it. Twenty years ago, on the assembly lines at Bell & Howell, I assembled this camera.

I was paid the average wage of the time—40 cents an hour. This was an 8 millimeter movie camera that sold at $49.95, the cheapest price at which we were able to market that camera with 40-cent-an-hour labor.

If we priced this camera out today at today's average labor rate in our plants of $2.25 an hour, it would cost better than $200.

This is what causes inflation, if we simply pass these cost increases onto the consuming public.

We recognized that at this rate we could not possibly meet the foreign competion and the competition of our own domestic industries who would do a better job after the war. The challenge issued to our engineering staff, our production engineers, our entire organization was that if we had to price this out, manufacture it and design it the same way we did before, we would be out of business.

So here is the camera that we introduced in 1952. It was introduced at that time with features superior to the features of the other camera, a finer lens, better viewfinder and so forth. With ingenuity of design, of tooling, and a tremendous capital investment and an average labor rate of over $2 an hour, we priced this out at $49.95, exactly the same price as the prewar camera.

Actually this camera today sells for $39.95 because again, not satisfied that we could maintain the market at that price, we constantly worked to decrease our costs by improving our methods.

Now it could be said, and it has been said, that many industries because of their very high labor content cannot compete. I have yet to find an industry that has any higher labor content than our own lens division. We manufacture many of our own lenses in our plant in Chicago.

We never produced them until World War II when we could not buy lenses from abroad and the United States Government asked our company, along with others, to get into the lens manufacturing business.

In lenses labor is the essential factor. I brought along a finished lens, which is typical, and the total raw material used in the manufacture of that lens.

This is a piece of optical glass, and this is a piece of aluminum bar stock.

We take this glass, mold it into blanks, grind the lenses, turn this aluminum on a screw machine to a mount, and this is the finished product that results.

The raw material costs less than a dollar. The finished lens sells at a retail price of $40.

So the difference is labor.

We recognize that we could not possibly compete with the highly proficient lens manufacturing industry in Japan and Germany, using the same methods that they use.

Therefore, we have used the threat of foreign competition with our own manufacturing executives and design engineers to ask them to develop designs that are ingenious, to have them develop tools that will back up the American worker, employing his abilities in the way an American worker earning over $2 an hour has to be employed, rather than the way he might be used abroad.

This is the only way we are able to compete, and our own lens division knows that we will buy freely from abroad, if they cannot compete, because the customer for the finished product does not care where the lens comes from.

He just wants the end result: pictures on the screen.

Competition from abroad has forced our own lens division (and our supervision admits this) into developing techniques that otherwise they never would have developed.

This is one solid answer that we have found to fight inflation. If we in this country believe in competition, we must then believe in it wholeheartedly, for it is competition that will keep down the cost levels of this country, and that will constantly allow us to increase our standard of living. It does not matter whether it is competition from within this country or from abroad.

In addition, we have just released a new electric eye movie camera that embodies every single feature that a customer would want.

This is ingenuity of design at its height, I think.

Here you have no lens setting at all to make. The energy from light, whether it is artificial or sunlight, is converted to a minute particle of electricity, which regulates and runs a meter, which in turn controls the iris. The customer never has to worry about light. He simply shoots.

This camera—in the middle of a recession in an industry that ordinarily might be depressed at a time like this—is back-ordered. We simply can't make enough of them.

When we offer an ingenious product to the customer and the public, they have the money to buy it. Our own company sales in the midst of this recession are 20 percent ahead of last year's, attributable entirely to ingenious designs and our constant effort to keep our cost levels down, and our fighting this battle of inflation rather than simply passing on the costs to the customer.

Regarding the European meeting that I attended, the Europeans called this meeting at a private level. These were key industrialists from 10 European countries. They called it at a private level because they felt we could talk off the record, freely and frankly to each other and express our worries and concerns.

These were leading industrialists who have worked with our country for many years.

They were concerned about the American recession and whether it would spread to them. But their grave concern, the constant questions that came back to us were "Will this recession in American cause America to go isolationist, to raise their tariffs, to try to protect employment at home?

We assured them that this question was receiving every possible consideration by many groups in America, as well as by the Congress of the United States. We showed them that the reciprocal trade bill after all was put in in 1934, and in the testimony that I have read in introducing that bill, it would appear that one of the major reasons was to counteract the retaliatory action taken against this country when the Smoot-Hawley tariff went in, in 1930.

This was a job creating bill that was passed in order to give the power to our administration to negotiate downward the high tariffs that were raised against our exports at a time when we raised our tariffs against the imports coming into this country. I was positive, I am positive today, that the policy of this country will not change its course drastically overnight, simply because we have a temporary pause in the growth of our economy in this country.

In fact, it would be disastrous to the employment in this country and the 4½ million jobs that do depend on export-import trade if we were to raise our tariffs at the very time that others abroad are beginning to lower theirs on a dramatic scale.

The Europeans spent a great deal of time telling us what they intended to do in the Common Market.

These were the men really responsible for creating the Common Market, and they talked at great length about its potentials. If they were to reduce their tariffs in this Common Market on the products coming in from the United States will the American delegations have the authority over a long period of years to negotiate downward the tariffs in this country against the products that they would like to ship to us?

The extension time of 5 years is, in my opinion, on the minimum side. If it were shorter than that, power would be lost to our own delegations negotiating for reductions in tariffs over there. And, after all, we do ship to the common market countries each year, $3 billion worth of products from this country, representing some 500,000 jobs in the United States that certainly we would not wish to place in jeopardy at the very critical time that they have the authority to reduce tariffs over there, if we reduce them here.

I think we should also recognize that they have signed an agreement among themselves to reduce their tariffs to zero as against each country over a period of 12 to 15 years, and this is a far more dramatic step than we are taking in our 5-year extension.

It would almost seem if we had a shorter period of time that we would be in a hypocritical position. We believe in competition as long as it is not competitive with us. It would seem to me to be consistent with our beliefs in competition and free private enterprise that we would be willing to go even longer.

The last comment I would like to make is in connection with the visit of the Russians. I must admit that we were somewhat skeptical as to whether we should even permit their visit to our plants. We debated it at some length.

In fact when the State Department asked us if we would grant permission to visit the plant, the chief of the Russian mission, who is the deputy chief of the state planning commission or the second in command in charge of all Russian production, was quite surprised that an American company would have the right to say to its Government. "We will or we will not allow you to come into our plant."

I spent considerable time with this group of Russians trying to explain to them the concept of private property in this country and the sanctity of it: that if the President of the United States himself wished to enter our plant or our homes he would not have the right to do so on his own authority. This was a shocking concept to them.

I think we probably benefited from this visit far more than they did.

I know that 75 percent of the questions came from us to them, and we learned a great deal about the state of their technology and where they stand. And we were very surprised to find the radical thinking that they are introducing.

First of all in the question of aid, they are taking this whole concept of ours and they are extending aid at a very rapid rate.

In fact——

Senator FLANDERS. What?

Mr. PERCY. Aid. The Russian policy now is to extend foreign aid.

Senator FLANDERS. Yes.

Mr. PERCY. In very large measure to a great number of countries. What they are doing is concentrating this in certain critical areas, and in seven key uncommitted countries they are extending more aid than we are at this time.

But at the same time we are passing an aid bill, it would be, I think, again hypocritical if we did not pass a liberal trade bill that said to the world "We are willing to help you with grants and gifts and technical assistance, but we prefer to trade with you and in the long run this is going to be our policy toward you."

The Russians have just copied our techniques in this regard. They are now extending large-scale aid which is totaling one billion nine hundred million dollars since they began this program in Afghanistan in 1954, and they are negotiating trade agreements with a vast number of countries.

It certainly indicates that political friendships, or at least political ties do follow the trade lines. We find Russia stepping in at the critical period now, buying surplus cotton from Egypt, surplus rice from Burma. Just, within recent years, I have been in Ceylon and talked with the Government people there, and it impresses them when they see the Russians come in and buy surplus rubber at just the right time from them.

Early this month I talked with the Turkish delegation at this European conference and they say, "How can we not trade with the Russians when they step in and buy at higher than world prices our tobacco and our raisin crop on which we are so dependent?" and they are doing this all over the world.

They are negotiating right now with Brazil on coffee, and of course we had a dramatic illustration of what happened when they have stepped in and replaced us as Iceland's No. 1 customer for fish.

Senator FREAR. I am sorry, but I must remind the witness we are operating under the 20-minute rule and your 20 minutes has expired. Senator Flanders?

Mr. PERCY. I shall conclude my testimony at this point then.

I would merely like to say, Mr. Chairman, that I have come to the belief that this bill should be extended from the firm conviction that it is a good thing for our country.

I know in the photographic industry it will make us work a great deal harder, but I think we should subordinate our selfish or industry interest to the national interest.

Senator FREAR. Well, the acting chairman would like to commend you on a very fine presentation you have made. It was extremely interesting.

Sit down; there may be questions.

Senator Flanders?

Senator FLANDERS. This is a two-way street.

Mr. Percy, I would like to compliment you on the finest presentation of the American method of meeting competition that I have lately heard.

I also wish that the whole United States Senate and the House as well could hear and understand your remarks about depreciation and its effect on the stimulation of American production and employment, and I am sorry that they will not, but perhaps some of us can reflect it on the floor on appropriate occasions.

I would like to ask 1 or 2 questions.

One of them is this: Do you feel that the ingenuity, both in design and production which you have described, is applicable to—widely applicable to—other industries and other products?

Mr. PERCY. Yes, sir; I do.

I think that any time we say, "We have reached the ultimate, that we cannot go any further in any industry, in any concept, in any policy," we are licked at that point.

Senator FLANDERS. Well, now——

Mr. PERCY. When we admit defeat and say "We cannot improve," then I think we are in a sad state of affairs and I do feel that these principles now in varying degrees, Senator, are applicable to any industry in the United States today.

Senator FLANDERS. What would you feel were the chances of the textile industry meeting its competition by means such as you have described?

Mr. PERCY. I think that today the evidence is very strong that the textile industry in this country is still a strong industry.

We are exporting more textiles today, I believe, than we are importing, so that our textiles and our fabrics are holding up in world markets.

It is true they are subjected, as we are in our industry, to a certain amount of incoming competition and this is discomforting to them. It is discomforting that some of their patterns and things like that are copied so quickly, and I deplore this.

But on the other hand, I still come back to the fact that their industry, and the condition and the plight that they are in must simply adjust to the economic conditions of world markets.

Senator FLANDERS. I would say that the present textile industry is the result of American enterprise. The Ring spinner, the Northrop loom, and the management practices which have so tremendously expanded the number of looms an individual operator works, were all developed by the kind of enterprise that you have described in your industry.

But all these skills, all this equipment is exportable and in a more or less mature industry the going is a little bit harder than it is in some others.

Do you have any tariff protection at all?

Mr. PERCY. Yes, we have. Our tariff on some of our products has been as high as 45 percent.

Senator FLANDERS. What is it now?

Mr. PERCY. It is not now. On the products, motion-picture sound projectors for instance, one of our biggest items (we are the largest manufacturers in the world of motion-picture sound projectors), our tariff on motion-picture sound projectors has come down through the years from 45 percent to 13¾ percent.

Our tariff on cameras, all of a sudden came down in the last 2 days of the authority that existed under the old act 3 years ago, reduced, I suppose as a result of my testimony in the House at that time [laughter] and as compensation for the Swiss, because we raised the tariff on watches and, therefore, Switzerland was incensed against this policy on our part. I suppose the Tariff Commission then threw in a reduction on motion-picture cameras, knowing we would not object to it too much.

They reduced it in 1 day from 25 percent to 15 percent and that is a 40 percent reduction in 1 day.

Senator FLANDERS. Are you dependent on that 13½ and 15?

Mr. PERCY. If we were, sir, I would sell my stock in the company. In fact, as a small stockholder in a number of companies, my wife received the annual report recently of one of the largest companies in the United States, in which they stated the peril they were in because of foreign competition and urged their stockholders to write Congress. And yet that year they earned the biggest profits they had in their history. She wrote them back and said if they actually were that dependent for their security and well-being on the tariffs they enjoyed in their industry, she thought she would sell her stock. I would advise her to do so.

I hope we are not dependent on tariffs and—this is the thing—if we rely on such artificial supports we will be in a vulnerable position.

Senator FLANDERS. Do you feel there are no companies that are dependent on it?

Mr. PERCY. I think a great number of companies are dependent on it, sir, and generally these are the industries that are the least efficient relatively—the reason the textile industry has to pay so much for labor is not because of foreign competition but because they are competing for labor with Detroit, which uses labor more efficiently than the textile industry. This is what sets the rate.

Senator FLANDERS. But that is one of the facts of life.

Mr. PERCY. That is right.

Senator FLANDERS. So they have to reckon with it?

Mr. PERCY. That is right, sir.

Senator FLANDERS. I think that we have to reckon with that.

Now, I am just wondering to what extent your experience is applicable when it comes for instance to plywood as another example. I mentioned the textile industry. I question whether the same opportunities for improvement exist for that type of industry as exist for a highly engineered industry, both in design and in production such as yours.

I would first commend you for what you have done, and then hesitate to say to every industry "Go now and do likewise."

Mr. PERCY. May I comment on the plywood industry, Senator? I would like very much to have you visit our own plywood plant. We are manufacturers of plywood. We have been now for many years. We simply did not feel that that industry was highly enough mechanized to produce the product at a cost that our customers are willing to pay.

Therefore a number of years ago we opened our own wood shop, we buy veneer from Minnesota, and other States, and we manufacture our own plywood under mechanized methods.

We use the latest devices we possibly can. Our buying department has absolute authority to buy plywood from any place in the world. We have been trying to get out of this business for many years, but every time we threaten to pull out of it if our managers are not using that space profitably, because it is expensive plant space, our own people find a new technique, a new method to reduce the costs a little bit lower and they undercut the costs that our buying department can obtain on plywood.

Senator FLANDERS. Do you shave off the plywood from the log?

Mr. PERCY. No, sir; we do not. We buy the veneer and bring it in in flatcars right to our plant.

Senator FLANDERS. I am talking about the production of your veneer.

Mr. PERCY. Yes; we are free to buy veneer anyplace in the world. Our customers do not know where the veneer comes from, and we still have found that, for the particular quality we want in our product, domestic veneer is superior to imported.

Senator FLANDERS. That is all I have, Mr. Chairman.

Thank you.

Senator FREAR. Senator Long?

Senator LONG. I did not ask the previous witness about this matter, but I am sure you have thought about it, too.

A previous witness testified for the executive council of the International Chamber of Commerce, and one of his vice presidents is also executive vice president of the Standard Oil Company of New Jersey.

Do you have any idea if Standard Oil, using its own machinery and labor, can use them as efficiently in another country?

Mr. PERCY. Using our technique in a foreign country?

Senator LONG. With American labor and American management.

Mr. PERCY. Yes. I have an interesting example of that.

We used to own a company in England, the largest lens-manufacturing company in England. We sold this company to British capital 15 years ago, but we still buy lenses from them.

When we introduce a particular lens here, we always offer them the opportunity to quote, and when they saw the prices and the costs that we had developed for this lens they placed an order last month. With 65-cent labor in England, they placed an order and bought 2,500 of these lenses from us this month, so that I do think we can, sometimes you can, take those techniques and put them abroad.

Whenever we can buy abroad something at lower cost than we can produce it here we do. But this is a very small percentage of our production. The type of thing we are looking for abroad is the type of thing that requires a great deal of hand labor, where we cannot sufficiently tool it. We have mechanisms that come from abroad, that we introduce in there where we just simply cannot tool it sufficiently to produce it as cheaply here as there.

But again, the customers are the people that are king in this country and the people that we serve in our company. Our job is to get the lowest possible cost to them consistent with the quality of the product. That is our job, and we will buy anyplace.

But while we have been pursuing this policy, our company has grown in my period of time with the company from 900 employees to 4,000 today. Ever since reciprocal trade has been in our tariffs have gradually been lowered on our product, and our company's growth has been from a prewar high of $5 million a year to, this year, $55 million a year.

The wages of our plants are going up, our sales, our earnings, and our plant investment.

I just cannot see that we can—or need fear—foreign competition, Senator, as long as we worry with some direction to it and see that this is an opportunity for us and a challenge to use American labor to a more ingenious extent.

Take the Russians, for instance. All they are interested in is automation. They want to leapfrog right straight over today's techniques and go right into automation, and they are highly proficient at it and know what they are talking about when they look at automation in this country. In fact, they were frankly disappointed at the lack of automation they were able to find in the United States.

Senator LONG. You say that is your problem in your industry in this country. In the oil industry, however, American companies have concessions abroad. Standard of New Jersey can go to Kuwait or Saudi Arabia, take their American rig and driller, pay them more money, and not worry about low labor costs, drill down 2,000 or 3,000 feet, and bring in a well producing a million barrels of oil a day.

If you drill 5 times that depth in this country, and you bring in a well that produces 100,000 barrels a day, you think you are doing well.

The labor costs on that foreign well are not 1 percent of the cost of production. Over a period of time, do you think that a domestic producer can sell below the foreign cost?

Mr. PERCY. Senator, you are an expert on oil, and I am not. Could I just give you an amateur's viewpoint of it? First of all, as we take oil out of the ground, we are depleting our reserves in this country, and I would worry if we prevented oil coming into this country and exhausted our resources. So I like to see oil coming in to preserve the oil in the ground that we have here, to a degree, not to wipe out the industry, of course, but I think we should continue to buy from abroad at the same time we are producing here.

Second of all, I think the competition from abroad——

Senator LONG. Let's just explore it for a minute.

Mr. PERCY. Yes, sir.

Senator LONG. Foreign competition has 25 percent of the domestic petroleum market, and I do not see any reason for them to have 100 percent.

Where are we going to be if our domestic oil industry is destroyed, the Suez Canal closed by Nasser, and communism prevails among the people of Venezuela who have already tried to harm our Vice President and have spit on his wife?

Mr. PERCY. I am very opposed to any policy that would destroy the American oil industry, and I am sure we would never even venture close to that, but I think we have to recognize that oil coming in from abroad tends to put sufficient competitive pressure—I keep thinking of the millions of automobiles and the cost of oil and gasoline, and heat to run our plants and factories, and the consumer products that come out of that industry. We have to have sufficient competition to keep those costs down, because those are the very costs that contribute to the inflationary trends.

Every bit of increased costs that we have in our raw materials, fuels, whatever they may be, is passed on ultimately to the consumer and, if he is not getting value for it, it is inflation.

So that I think that competition is good.

I would say the ingenuity of the oil industry in this country will stand up over the long pull to a moderate amount of competition coming in from abroad, not up to a dangerous point, but I would be very fearful if we did not have competition from abroad and if we were exhausting completely our resources in this country and not benefiting from the lower cost oil that can be brought in.

Senator LONG. Do you know how much oil we now have in this country?

It would surprise you to know we have a 100-year supply. We have a supply of oil-bearing shale that will last a thousand years after that.

Mr. PERCY. I am not in position to comment on your figures. Maybe we have some experts here that can. I just assumed that those are correct but I would like to check it.

Senator LONG. In reply to those of you who suggest that you keep your oil in the ground, if you need it for national defense, you need it right away and not 6 or 8 years after you drill the wells.

You need it at the time the demand occurs.

Mr. PERCY. Senator, could I come back again to the fact that I am in no sense wishing to endanger the domestic oil industry but on the other hand, I would not want to completely prevent——

Senator LONG. Yes.

Mr. PERCY. Oil from the outside coming in.

Senator LONG. Do you believe that what you point out here is the answer for the textile industry?

I understand that the Japanese plants are as modern as ours. Our people showed them our techniques and the latest equipment. In many instances their plants are more modern than the American plants. Do you think this is an answer for their industry?

Mr. PERCY. I would tend to think that if we did not have such competition and the threat of such competition that the costs in the textile industry would be even higher than they are right now, and that competition has been a very good thing for the textile industry.

It is true it is one of the relatively less efficient industries in this country.

We do not seem to be able to employ people in this country in the textile industry as well as we are employing them in other industries.

But I do not think they have been wiped out.

I think we are a big exporting country of textiles, certainly they have pressure of competition on them.

I am sympathetic with that pressure.

Senator LONG. I wish your company would try to get as far ahead of the Russians in outer space as you stay ahead of your competitiors in techniques because from what I have heard it is going to take us quite a while to catch up with them.

Mr. PERCY. That is true, and I think the defense of this country depends essentially on the flexibility, the ability to adjust our policies as well as our productive capacity, and I tend to think the more competition we enjoy in this country, I say enjoy in quotes, the more competition we have the harder our managements will work and the more efficient and productive we will become.

Senator LONG. One word about the Russian foreign aid program. Are you familiar with the fact they are not giving anything away——

Mr. PERCY. I am, sir. These are, as I understand——

Senator LONG. That they are charging for it?

Mr. PERCY. Generally they are loans around 2½ percent interest.

Senator LONG. They are not actually aiding but selling. Do you see how we can keep them from making any deal they want to make as long as they are willing to go below the world market price?

Do we have any program of selling goods at whatever price it takes to make the sale?

Mr. PERCY. I had a long talk with the Turkish delegation; the chairman of the Turkish industry, was the delegate to this particular council, and he showed how they are buying, the Russians are buying tobacco at a high price and selling it then, dumping it later at a low price and I suppose this country is buying part of that, and also the same thing in raisins. He said: "They are paying us a higher price, and how can we turn it down?"

The only way I could counter the argument is, "Are the Russians paying you in dollars are in any convertible currency?"

"Oh, no, it is not in even Russian currency; it is in products, goods, services. You have to take it out in their goods but they are giving us a higher price."

"What do you get for the high price?"

"Well, you get machinery."

"Is the machinery good?"

"Well, not as good as yours; no."

"What price do you pay for spare parts?"

"Oh, my gosh, we have trouble getting spare parts, and when you get them the cost is 4 or 5 times what it should be.

And when you begin to question them they begin to wonder whether this idea was good or not.

Then we tried to show them who is paying for this when they buy high and sell low, who is paying the costs, the Russian people. If they would do that to their own people, what is their ulterior motive but attempting to worm their way into your own country, get machinery in there and technicians to service it. I think by questioning them and educating the delegation on the dangerous trend they are taking to make a fast profit today in order to make what appears to be a little higher profit, what long-range danger is there?

Also I pointed out to this man, who had a 12-year-old son who was about the age of one of my sons, what kind of an economic system is he building for his son to follow?

Is he taking a profit at the expense of his son later? I hope they went back a more sober delegation.

I think through education we can counter this perfectly ridiculous "loss leaders" type of thing that the Russians are engaging in now, the ultimate purpose of which is perfectly transparent.

Senator LONG. You realize you cannot keep them from pinpointing certain markets and selling below us if they want to take a loss. They can do this because it is a Government-operated proposition. They do not even have to account to their people for their costs.

Thank you.

Mr. PERCY. Yes, sir.

Senator FREAR. Senator Carlson?

Senator CARLSON. I do not want to have any questions.

It is encouraging to have a young man come in as one of the business executives of this Nation and make a statement that he has made here; and, as Senator Flanders suggested, I wish many members of this committee, more members and the Senate and House, could hear his testimony.

During our 182 years as an independent Nation, we have been blessed because we have had men of vision and courage to build a great industrial plant and to build a great Nation; and sometimes those of us who sit around this committee hear a lot of testimony about what the future looks like; that it looks so bleak. So it is encouraging to get some young man in who not only has vision but he has the courage to go out and act, and I do personally appreciate very much your testimony this morning.

You stressed one thing that I think if this committee and this Congress does not do something about it we have been a little negligent in this session, and that is on accelerated depreciation.

Mr. PERCY. That is right.

Senator CARLSON. We are short back of this year about $5 billion in the construction of new plants and new equipment in this Nation, and I do not believe we are going to be able to compete in this world unless we make some sort of provision to reduce this period of depreciation.

We had a splendid witness here from the University of Virginia, not too long ago, a Dr. Abbott, and I know he made a great impression on me and on the committee, and I think you rendered a service not only in your statement with respect to competition but in the tax field.

Mr. PERCY. You might be interested in the Russian's attitude toward decreciation, sir.

Senator CARLSON. I would like to have it.

Mr. PERCY. The concept I had was that they are running a system of state capitalism. All productive capacity is owned by the state, but they recognize the value of capital investment and it is very simple why they are growing at a rate twice the growth of the gross national product of this country, which is a disturbing and alarming fact.

The Russians told us that the state planning commission recognizes a socialistic incentive which we would call a profit, though they do not like to use that word. Every plant manager is allowed to build up a reserve for plant and equipment, for plant at the rate of 5 to 7 percent a year, which is more than double ours. He is able to build up a 100 percent reserve for equipment in 5 years, which is 3 times ours.

They take 30 percent of their gross national product and reinvest it back in capital formation.

This country now is down from 20 percent a few years ago to 14½ percent. And at this rate, the gap is closing very rapidly indeed.

This problem, if we look at the long-range picture, is the thing I think this committee should really be concerned with: How can we finance capital formation in this country and provide incentive to business to invest in capital equipment, to fight inflation and answer other problems we have mentioned today? We really have the overall job of figuring out how we can resist the prevailing trend of history, because no nation in history to my knowledge has ever maintained a position of leadership over a sustained length of time, and no nation has ever been faced with a power that is politically ambitious and as willing to use its entire economic resources to replace us as Russia is today in the international field.

The Russians told us, in 1972 Russia will be the biggest and greatest productive nation on earth, according to their next two 7-year plans. They have a zeal and a determination to reach this goal. Look at their approach to the problem of capital formation, in contrast with the triple tax in this country on capital formation and income from capital.

Senator CARLSON. As I study present tax structure, I do not know or cannot see of anything that would be much greater boost to our entire economy at the present time than making some changes in our depreciation structure.

Mr. PERCY. Thank you.

Senator FREAR. Senator Bennett?

Senator BENNETT. No questions.

Senator FREAR. I will not ask your political affiliation, Mr. Percy, but it is quite obvious you must be a Democrat. [Laughter.]

We would have difficulty in getting you down here in the Treasury Department to emphasize the fact of more rapid amortization of which some of the men on the side over here, like Senator Carlson and Senator Bennett, are in favor of as well as some Democrats.

I want to commend you for the testimony you have given.

We are sorry we have taken up so much of your time, but I can assure you it has been most interesting.

Mr. PERCY. Thank you, Mr. Chairman.

(Mr. Percy's complete statement is as follows:)

STATEMENT OF THE COMMITTEE FOR A NATIONAL TRADE POLICY, SUBMITTED BY CHARLES H. PERCY, PRESIDENT, BELL & HOWELL CO., CHICAGO

The Committee for a National Trade Policy welcomes this opportunity to express to the Finance Committee of the United States Senate support for a 5-year extension of the Trade Agreements Act as approved by the House of Representatives through the passage of H. R. 12591.

We support the extension of the reciprocal trade program for 5 years as the minimum necessity, and would have preferred a much longer extension. Since its inception in 1934, this program has proved its worth by increasing our trade with other nations, by providing markets for American goods and hence providing jobs and income for American business, agriculture, and labor. The trade program has served the national interest, and served it well. Our trade program has been a keystone of American foreign policy. Channels of trade have been channels of friendship between the United States and the other nations of the free world.

There have been 10 extensions of the Trade Agreements Act since 1934, of periods ranging from 1 to 3 years. In this 24-year period, the reciprocal trade program has proved its worth so well that there should now be little if any objection to a long-term extension of the act on the merits of the program alone. Moreover, there are several new factors which make a longer extension imperative at this time. Uppermost among these new factors are the development of the European Common Market; Soviet economic penetration into American free world markets and trade overtures to underdeveloped nations; the need for stability of "rules of the road" in our trade relations; and the need for a continuation of trade expansion to aid us in combating recession at home and preventing it from becoming an American export.

The United States is the world's greatest trading nation. Certainly when our leadership is being challenged, or doubted, in other fields, we do not want to allow our free enterprise system to take second prize in the free world trade race. There is no second prize in a race with the Soviet Union.

The United States has long pressed for the firm establishment of a world multilateral system of trade with a minimum of restriction against the products of any nation. We have believed, in this country, that it is only through such a system of trade that the full benefits of international competition can accrue to the economies and the prosperity of all nations. It has been the purpose of the trade agreements program, during its 24-year history, to achieve that kind of a world. Our committee believes that is the kind of world the American people want, and we further believe that H. R. 12591 can provide the firm basis upon which we can continue to maintain our leadership in this field and our influence upon further developments.

We are all aware, of course, of the recent movements toward regional economic integration, most notably in Western Europe but also in Latin America and other parts of the world. It has been United States policy to encourage such regional economic integration, particularly in Western Europe where the high degree of industrialization and economic development provide the optimum basis for such integration. The European Economic Community is today a fact.

These regional movements need not, in any respect, be inconsistent with our objective of a multilateral system provided the external trade of those groupings is conducted on a nondiscriminatory basis and that there is renewed devotion to the reduction of trade barriers all over the world.

Six nations of Western Europe are confidently planning a tariff and trade policy not for 2 years, not for 3 years, not even for 5 years. Their goal is completely free trade among themselves within a period of 12–15 years. The spirit behind that kind of planning—that kind of confidence—is something the United States played an important part in developing. A 5-year extension of our own trade-policy legislation is itself a barely adequate reflection of the example our economy and our economic vitality have set for Western Europe.

The European Economic Community is today at a crossroads. The direction it will go—whether inward upon itself in regional autarchy and self-sufficiency or outward toward increasingly closer relations with the rest of the free world—will depend, in a very real sense, upon the trade policy which the United States Congress adopts this year.

Western Europe is our most important foreign market. Should the Community turn inward, our exports would face increasing competitive difficulties within that market as the internal trade barriers were reduced and removed. To minimize the effect of these developments, we have the opportunity of negotiating downward the Community's external tariff, and thus reducing materially the difficulties our exports would otherwise face.

As a practical matter, we can do this only if we have an adequate Trade Agreements Extension Act. The extension must be for 5 years. There must be a tariff-reducing authority of 25 percent. With anything less we simply cannot do the job. A 3-year extension would expire exactly when the United States was in the middle of its negotiations with the European Community and the other nations which are parties to the General Agreement on Tariffs and Trade.

The Committee for a National Trade Policy would have preferred a bill somewhat more ambitious than H. R. 12591. We would have preferred a bill which would have enabled us to move forward toward freer trade at a somewhat more rapid pace than this bill permits. Nevertheless, the major provisions of

H. R. 12591 provide the essentials for reasonable progress by the United States in the next 5 years.

It has been suggested that a commission be formed by the Congress to undertake a study, over the next 3 years, of United States trade policy and the position of United States trade in the world. We would heartily support this proposal as providing the opportunity for a major contribution to the national understanding of this issue and to the search for new methods and new ideas for expanding international trade. The world is moving rapidly and it is urgent that we explore thoroughly any possible improvements in our trade policy for the future. Under no circumstances, however, would we consider that such a commission or such studies as it might make could affect in any way the imperative reasons which demand a 5-year extension of the reciprocal trade program this year. As we have indicated, this is an essential with or without the proposed commission.

We have dwelt upon the challenge which faces us as a result of the newly formed European Economic Community. Quite aside from this development and quite aside from the obvious benefits to our own economic growth and well-being which the reciprocal trade agreements program has brought and will bring in the future, we are now facing one of the most ominous threats in our history. This is the Soviet economic offensive which has been so vastly intensified in the last year or 2. It represents a major challenge to our foreign trade policy and our foreign economic policy. Soviet offers of long-term contracts, technical aid and barter deals, designed to reorient the trade and economies of other countries toward the Soviet bloc, are appearing almost daily in the capitals of those countries. Under their populations' burning drive for economic growth and higher standards of living, governments cannot but entertain these offers unless they can have confidence that the United States is prepared to cooperate fully in their efforts toward satisfaction of their needs. A liberal trade policy on the part of the United States, a policy which offers stability and continuity, is one of the most important contributions we can make to that confidence. This kind of confidence is equally essential for the private businessman in the United States and abroad in his forward planning which is so necessary in free economies. It would be unthinkable for the United States, by its actions this year in the matter of trade policy, to desert this field and leave it, for all intents and purposes, to the Soviets and their system. Yet, that is precisely what a failure to pass this bill, or its passage in a restricted form, would mean.

Your committee has been told many times that H. R. 12591 does not provide proper protection for the American economy or for particular American industries. This is in spite of the fact that the bill encompasses all of the provisions affording particular protection which the legislation has ever had, and several more besides. The peril point, the escape clause, are retained intact, and the national security amendment has been strengthened in this bill before the committee. It has been our view that these provisions afford more than adequate protection for any industry which can establish the fact of injury resulting from increased imports if it is in the total national interest that relief be provided in the form of higher tariffs or other import barriers. That the national interest must necessarily be the controlling consideration of the imposition of these tariffs and import barriers there can be little doubt.

The best sources of labor statistics in the United States Government show that about 4.5 million American jobs are provided by our export and import trade at present levels of world trade. If there is need for protection in trade matters, it is certain that this large number of Americans should receive their fair share of protection, also. Admittedly, a trade program designed to serve the national interest may result in damage to the minority because of import competition. The Committee for a National Trade Policy has always supported proposals for a trade-adjustment program to aid the adjustment or ease the transition difficulties of companies, communities, and individuals who are injured by imports. Such an adjustment program is not a dole or a permanent crutch for the segments of our economy which are unable to maintain a competitive position. A trade-adjustment program is the small cost we should be willing to pay to those few who may suffer in order that the entire Nation may prosper. We urge that the Congress give due consideration to the several bills pending which offer proposals for such an adjustment program.

The Committee for a National Trade Policy calls attention to the fact that the Trade Act of 1934 was passed by the Congress partly as an instrument for recovery from the depths of a worldwide depression. A trade program which helped to provide jobs for American workers and markets for American products in the thirties helped our national recovery. A long-term continuation of this program is certainly essential now, at a time of national recession. Ten percent of all the movable goods produced in the United States goes into our export trade. Any move now which could result in curtailing or crippling this trade program would certainly add a threatening new factor to our recession problems.

In conclusion may we reiterate our profound conviction that this bill, H. R. 12591, is in the interest of the United States, in the interest of its whole economy, in the interest of its security and of its general welfare. More than that, it is in the vital interest of the whole free world. We strongly urge the Senate Committee on Finance to recommend this bill favorably, without amendment.

The Committee for a National Trade Policy is a bipartisan committee of businessmen created in 1953 to promote greater public understanding of the issues our country faces in its trade relations with the rest of the world, and of the importance of expanded two-way trade to the sustained, sound growth of the American economy.

The committee draws its support from all sections of the United States and all levels of American business. It enjoys the support of representatives of most sectors of American economic life, and it has worked in close cooperation with many national and local organizations representing business, agriculture, labor, the consumer, and civic interests. It officers and board of directors are—

Sidney A. Swensrud, chairman, Pittsburgh, Pa.
S. C. Allyn, chairman, the National Cash Register Co., Dayton Ohio
William L. Batt, secretary, Philadelphia, Pa.
S. D. Bechtel, president, Bechtel Corp., San Francisco, Calif.
George L. Bell, president, Committee for a National Trade Policy, Washington, D.C.
Barry, Bingham, editor in chief, Courier-Journal and Louisville Times, Louisville, Ky.
I. M. Bomba, vice president, Schieffelin & Co., New York, N. Y.
Harry A. Bullis, vice chairman, chairman, General Mills, Inc., Minneapolis, Minn.
Thomas D. Cabot, president, Godfrey L. Cabot, Inc., Boston, Mass.
Philip Cortney, president, Coty, Inc., New York, N. Y.
John F. Fennelly, Glore, Forgan & Co., Chicago, Ill.
Lamar Fleming, Jr., chairman, Anderson, Clayton & Co., Houston, Tex.
Carl J. Gilbert, chairman, the Gillette Co., Boston, Mass.
J. Peter Grace, president, W. R. Grace & Co., New York, N. Y.
Charles D. Hilles, Jr., executive vice president, International Telephone & Telegraph Corp., New York, N. Y.
Edward Littlejohn, director of public relations, Burroughs Corp., Detroit, Mich.
John J. McCloy, chairman, the Chase Manhattan Bank, New York, N. Y.
John A. McCone, president, Joshua Hendy Corp., Los Angeles, Calif.
Allen W. Merrell, assistant to president, Ford Motor Co., Dearborn, Mich.
Charles H. Percy, president, Bell & Howell Co., Chicago, Ill.
Elmer F. Pierson, chairman, the Vendo Co., Kansas City, Mo.
B. E. Richmond, executive vice president, Richmond-Chase Co., San Jose, Calif.
James S. Schramm, executive vice president, J. S. Schramm Co., Burlington, Iowa.
Russell G. Smith, executive vice president, Bank of America, San Francisco, Calif.
Ralph I. Straus, treasurer, director, R. H. Macy & Co., Inc., New York, N. Y.
Charles P. Taft, general counsel, Headley, Sibbald & Taft, Cincinnati, Ohio.
Thomas J. Watson, Jr., president, International Business Machines Corp., New York, N. Y.
W. H. Wheeler, Jr., president, Pitney-Bowes, Inc., Stamford, Conn.
Brayton Wilbur, president, Wilbur-Ellis Co., San Francisco, Calif.

Senator FREAR. Mr. Robert L. Trescher, Chamber of Commerce of Greater Philadelphia.

STATEMENT OF ROBERT L. TRESCHER, CHAIRMAN, TRADE DEVELOPMENT COUNCIL

Mr. TRESCHER. Mr. Chairman and members of the committee, my name is Robert L. Trescher and I am testifying on behalf of the Chamber of Commerce of Greater Philadelphia in support of the extension of the Reciprocal Trade Agreements Act.

I would like to offer in evidence a written statement which expresses the position of the chamber of commerce.

This statement was prepared by Mr. Myles Standish who is the executive director of the trade development council of the Chamber of Commerce of Greater Philadelphia.

I should like to make it plain that I am not testifying as an expert. I am here simply to tell you what the chamber of commerce is, who it represents, and what its position is in this matter of the extension of the Reciprocal Trade Agreements Act.

The Chamber of Commerce of Greater Philadelphia is probably the oldest in the United States. It was organized about 1800. It now consists of 1,700 members. Those members run the gamut of virtually all commercial interests from banking through candymaking, manufacturing, exporting, importing, food processing, virtually everything you can name.

The Chamber of Commerce of Greater Philadelphia is by no means limited to Philadelphia proper. It embraces part of Delaware, the focal point of which would be Wilmington.

It embraces the southeastern portion of Pennsylvania, the focal points of which would be Philadelphia and Chester.

It embraces part of southern New Jersey, the focal points of which would be Trenton and Camden.

Now the stake of that area in exports and imports, foreign trade generally, I think can perhaps best be highlighted by mentioning just 3 or 4 points.

First, the port of Philadelphia is second in the Nation in total foreign trade cargo movement and first in import cargo.

Second, over half the cargo moving through the port of Philadelphia is in foreign trade.

Third, the economic life and welfare of the city of Philadelphia and the entire Delaware Valley area is directly connected with the port.

Next, two-thirds of all industrial workers in this area are employed by companies which either buy materials or sell products abroad.

Finally, practically all of our retail merchants, large and small, sell products, either grown or manufactured abroad.

Now, against this backdrop, the chamber of commerce has authorized me to come down and testify that it, representing that large complex of commerce, is heartily in support of the extension of the reciprocal Trade Agreements Act.

Its trade development council, which is 1 of 6 councils that functions within the chamber, has given the act careful consideration and it unanimously adopted a resolution supporting the extension.

Then the board of directors, which is a large organization very representative of all the industries in the port of Philadelphia area, acted upon it and it too, unanimously adopted a resolution favoring the extension.

I think it appropriate to add that the city council of the city of Philadelphia also adopted a resolution urging support for the extension of the Reciprocal Trade Agreements Act.

The only other point I would like to make is that I am confident that our chamber of commerce, in urging support for the act, is not thinking solely in terms of Philadelphia.

I know that its members feel that it is a good thing for the Nation as a whole.

They do not fear competition. They are strongly confident that our genius, our business genius in this country, can meet foreign competition.

They favor the extension for the 5-year period.

Thank you very much, sir.

Senator FREAR. Senator Carlson?

Senator BENNETT. I suppose the witness will offer his full statement for the record.

Senator FREAR. It will be made a part of the record in full.

Senator Carlson?

Senator Bennett?

(No response.)

Thank you for that very fine statement, although brief.

Mr. TRESCHER. Thank you.

(The statement in full is as follows:)

STATEMENT OF THE CHAMBER OF COMMERCE OF GREATER PHILADELPHIA PRESENTED BY ROBERT L. TRESCHER, CHAIRMAN, TRADE DEVELOPMENT COUNCIL

Founded in 1801, the Chamber of Commerce of Greater Philadelphia has over 1,700 industrial, commercial, banking, transportation, and service companies as members. The membership is drawn primarily from the Philadelphia metropolitan area, which is composed of the eight industrial and commercial counties of Bucks, Chester, Delaware, Montgomery, and Philadelphia in Pennsylvania, and of Burlington, Camden, and Gloucester in New Jersey. In addition, several outstanding industrial and commercial companies of New Castle County in Delaware are chamber members.

The decision to support a 5-year liberal extension of the Reciprocal Trade Agreements Act was taken in accord with this chamber's bylaws. The matter was first studied and unanimously adopted by the board of governors of the trade development council of the chamber. This policy and action was then unanimously approved by the board of directors of the entire chamber.

Resolution No. 275, passed on June 5, 1958, by the Council of the City of Philadelphia is attached to this statement to demonstrate that the Chamber of Commerce of Greater Philadelphia is not alone in supporting H. R. 12591. Religious groups, labor, and women's organizations from this area have also voiced their approval of this legislation to their Representatives in Congress.

"RESOLUTION NO. 275

"RESOLUTION Memorializing the 85th Congress of the United States to enact H. R. 12591, a bill which would extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes

"Whereas the port of Philadelphia is second in the Nation in total foreign-aid cargo movement, and first in import cargo; and

"Whereas over half the cargo moving through the port of Philadelphia is in foreign trade; and

"Whereas the economic life and welfare of the city of Philadelphia and the entire Delaware Valley area is directly connected with the port; and

"Whereas two-thirds of all industrial workers in this area are employed by companies which either buy materials or sell products abroad; and

"Whereas practically all of our retail merchants, large and small, sell products either grown or manufactured abroad; and

"Whereas the city of Philadelphia is historically and traditionally a leading center for international peace, and that peace is threatened by barriers to international trade, such as high tariffs, import quotas, and similar restrictions; and

"Whereas the national leaders of both of our great political parties have urged all American citizens interested in our national welfare to support the bipartisan reciprocal-trade program, which for almost a quarter century has been the keystone of our foreign-trade policy: Therefore

"*Resolved by the Council of the City of Philadelphia*, That we hereby memorialize the Members of the 85th Congress of the United States to enact H. R. 12591, a bill which would extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes, which is now before the House of Representatives for consideration.

"*Resolved*, That certified copies of this resolution be forwarded to the Speaker of the House of Representatives, the President pro tempore of the Senate, the Members of Congress representing Philadelphia, and the United States Senators representing Pennsylvania.

"CERTIFICATION

"This is a true and correct copy of the original resolution passed by the Council of the City of Philadelphia on the 5th day of June 1958.

"JAMES H. J. TATE,
"*President of City Council.*

"Attest:

"NATHAN WOLFMAN,
"*Chief Clerk of the Council.*"

The port of Philadelphia officially includes the navigable portion of Delaware Bay and River from the Atlantic Ocean to Newbold Island. Along the shores of that waterway are the port facilities of Wilmington and other communities in Delaware; Chester, Philadelphia, Morrisville, and others in Pennsylvania; and Trenton, Camden, and others in New Jersey.

In 1957, just over 100 million tons of cargo moved in and out of this great port, making it second in the Nation in total cargo movement. Approximately one-half of that movement was in foreign trade, with inward cargo making this port the first in the United States for volume of imports. Two hundred and twenty regularly scheduled steamship lines, the largest railroad in the United States, and 2 other major lines, 350 regularly scheduled highway transport lines, and 9 national and international airlines reach out to connect this huge shipping district to all parts of the United States and the world.

In addition to its own immediate area, the port of Philadelphia serves the great steelmaking and industrial complex of western Pennsylvania, eastern Ohio, and northern West Virginia which has Pittsburgh as its capital. The highly industrial Central States and the agricultural Midwest to the Rocky Mountains also send their products through the port to all parts of the world. For example, the following table shows the volume of grains, coal, and manufactures which moved through the port in export in the postwar years 1946–57 for a grand total of 58,447,558 tons.

Year	Grain	Coal	Manufactures	Year	Grain	Coal	Manufactures
1946	965,471	4,239,383	627,831	1953	623,780	172,915	899,490
1947	731,853	5,492,161	472,368	1954	697,242	480,874	1,412,504
1948	563,811	1,807,600	229,794	1955	769,563	1,036,442	1,804,958
1949	740,847	1,322,627	1,396,207	1956	1,242,223	3,396,888	6,123,198
1950	377,768	131,894	1,034,816	1957	976,627	3,208,431	6,168,696
1951	1,117,903	2,941,287	1,575,356				
1952	776,192	1,466,577	1,321,827	Total	9,583,280	[1] 25,777,228	23,067,050

[1] The bulk of these coal exports were Pennsylvania anthracite.

It is natural that around the port of Philadelphia district should grow up many trades, services and industries which are dependent upon foreign trade for their livelihood. With the depletion of Minnesota's Mesabi Range reserves of high-grade iron ores, the American steel industry has been forced to seek out and develop sources of these ores outside the United States. Imports of iron ore represent only 18 percent of our national requirements but most of these imports arrive in this port and are processed in increasing quantities in the district. The port handles varied other imports including manganese, chrome, nickel, tin, bauxite, cryolite, fluorspar and gypsum in its extensive and modern discharging facilities. These ores and minerals are vital to our national economy and are either not found in commercial quantities in the United States or, if found, supplies are insufficient to meet demand.

During the first quarter of 1958, approximately 12.5 percent of our national requirements of crude petroleum were imported. Of this total, slightly more than half arrived in the port of Philadelphia for refining in the important concentration of refineries of adjacent Pennsylvania, Delaware and New Jersey. This concentration represents about 9.6 percent of the total national refining capacity and is a consumer of domestic as well as foreign crude.

Ready access to steel fabricating plants, electrical and mechanical machinery producers—and important paint factories—have permitted the shipyards at Wilmington and Camden to build and repair commercial and naval vessels of all sizes. One of the oldest and most important United States naval shipyards is also at Philadelphia. The Camden yards, the largest privately owned in the Nation, are now proudly building the nuclear steamship *Savannah*—the first atomic-powered cargo vessel which will, along with the electric generating plant now under construction in American factories for domestic as well as foreign buyers, demonstrate that the United States is leading the world in the peaceful use of atomic energy.

The port district is one of the Nation's principal food processing areas. As the third largest candymaking center in the United States, the Philadelphia area imports large quantities of cocoa, sugar and flavorings. Canned and prepared foods are exported throughout the world. These food processors draw heavily upon fruit, vegetable and poultry farmers of the three adjacent States for their basic primary materials.

While the carpet industry is diversified throughout the Atlantic and Gulf States, the Philadelphia area is perhaps the largest single concentration. Much of the carpet wool (which is not produced in appreciable quantities in the United States) and jute which must be purchased abroad, enters the country through this port and is processed by carpet factories in the area. The local leather, bagging and twine industries, also of national importance, import and process hides and skins, sisal, henequen and jute which are not found in the United States in the desired commercial quantities.

The Philadelphia area is rapidly becoming the electronic center of the United States. In addition to many products for the American home and homeowner, this industry makes a major contribution to our Nation's modern weaponry through designing and building electronic components and systems for naval vessels, aircraft and guided missiles. For this growing and vital industry, critical raw materials such as mica, tungsten, tin, nickel, chrome and shellac, must be brought from abroad. On the other hand, the foreign trade of these manufacturers is expanding as the standard of living of foreign consumers rises. A similar situation exists for the industrial chemicals and pharmaceutical manufacturers who combine to make the Philadelphia port district a major chemical producing area of the United States.

Professional and scientific instrument and equipment makers, including surgical, medical and dental, make this area one of the most important in this field in the country. Their products are sought by foreign buyers. Of similar skills and with comparable foreign markets are the area's tool and die makers, particularly those serving the American and foreign automotive vehicle producers.

Foreign trade is important as well to the economies of the States of Pennsylvania, Delaware and New Jersey, all of whom have communities, industries and agriculture making up the port of Philadelphia district. The United States Department of Commerce has recently issued reports on surveys of the impact of foreign trade upon each of those States; some of the salient points made by those reports are:

Pennsylvania, the survey revealed, has 8 major manufacturing classifications which had a proportionate share in the total United States exports for 1956 of $704.7 million. In the 1956-57 marketing year Pennsylvania's agriculture had a proportionate share of $45.5 million.

The specific companies mentioned in the Pennsylvania report as engaged in foreign trade span the industrial spectrum and were from small in size to industrial giants. The communities in which these companies have factories are diffused throughout the Commonwealth of Pennsylvania, from Washington, Pittsburgh and Erie in the west—to Morrisville, Philadelphia and Chester in the east. Pennsylvania, which ranks as the first State in the Nation in the production of metal and mineral products, and second in the total value of manufactured goods, exports its produce throughout the world. In turn, many of these factories are dependent upon foreign sources for raw materials. The State's food processors similarly look abroad for sources of both supply and sales.

Delaware has an important stake in our national foreign trade. While small territorially, it is the home of the world-famous du Pont Co. which, together with the Atlas Powder Co. and the Hercules Powder Co., exports large quantities of various chemical products and cellulose and procures a wide variety of raw materials overseas. The American Brake Shoe Co., the Carrier Corp., and the National Vulcanized Fibre Corp. are also singled out by the United States Department of Commerce report as having important export business. The well-known packing firm of Libby, McNeill & Libby draws on Delaware agriculture, according to the report, to export canned meats, fruits and vegetables, and, in turn imports flavorings and seasonings.

Delaware's proportionate share of the total United States exports in 1956 was $27.0 million of which 5 industrial groups exported an estimated $25.1 million.

On the subject of agriculture, the report shows exports broken down into the following groups (State's proportionate share of United States exports):

Poultry products	$1, 158, 000
Vegetables	838, 000
Dairy products	480, 000
Fruits and nuts	105, 000
Livestock products	100, 000

New Jersey has 8 principal industrial groups which had a proportionate share in United States exports for 1956 of $573.7 million. Its agriculture in the 1956-57 marketing year had a proportionate share in excess of $14.0 million. The highly diversified, widespread industry of this State exported electrical machinery, communications equipment and a wide variety of electrical equipment and consumer products. New Jersey's important industrial chemical and pharmaceutical industries draw upon foreign sources of supply for raw materials and export their products throughout the world. The world-famous food processors in the Garden State export appreciable quantities of their products and, in turn, are dependent on overseas sources for varied ingredients.

This chamber of commerce believes that the above evidence points clearly to the direct interest of the port of Philadelphia district, and of the 3 States of Pennsylvania, Delaware and New Jersey, in a continuing reciprocal trade program as contained in H. R. 12591. The bill provides adequate protection for those industries which are vital to the national security.

The chamber is conscious of an obligation by the Nation to those workers and companies whose employment and business is hurt by foreign products allowed into the United States as part of the overall national foreign economic and trade policy. To fulfill that obligation, the chamber urges the Congress to give full and early consideration to S. 2907, H. R. 9505 and other pertinent legislation so that temporary relief of an investment nature may be justly accorded to those hurt in the national interest.

On the matter of foreign competition, the chamber believes the American industry on the whole is more than qualified to meet foreign competitors on price and quality. Such competition will, in the long run, prove no different than normal competition within and between domestic industries. Further, such competition can be expected to sharpen the technical and managerial skills, cost consciousness and general efficiency of American manufacturers.

The chamber opposes high tariffs and import quotas because they do more harm to the majority of American exporters (merchants or manufacturers) than they afford seeming benefits to the handful of American manufacturers they would protect. Further, reasonably lowered tariffs enable the countries to which we sell to pay us with their products, normally raw materials or foodstuffs which are not available in the United States in commercial quantities.

The chamber advocates at least a 5-year extension of the Reciprocal Trade Agreements Act because modern business must make long-term plans, particularly in this age of growing automation, which includes marketing and finance as well as automatic factories. This is especially applicable to companies whose operations are affected by foreign trade, whether imports of raw materials or exports of manufactures.

The chamber supports H. R. 12591 because it is an additional means toward finding expanding markets overseas for the products of American factories and farms. The incredible increases in industrial and agricultural productivity in the United States makes the need for foreign markets self-evident and imperative.

These are among the many reasons why the Committee on Finance and the Senate have received so much evidence of the overwhelming support in the Nation for H. R. 12591. This support bespeaks a high degree of statesmanship and political courage, which has been shown by a majority of the Members of the House of Representatives in voting 317 for and 98 against this bill.

This chamber of commerce is particularly proud of the 12 out of 13 Members from the tristate port of Philadelphia district—of all 6 Members from the city of Philadelphia—of all 4 Members from Pittsburgh—of the 20 out of 30 Members from the State of Pennsylvania—of the Members at Large from the State of Delaware—of the 8 out of 14 (with 2 not voting) Members from the State of New Jersey—who voted for this vital legislation.

The chamber respectfully urges the Committee on Finance to approve H. R. 12591 as passed by the House of Representatives and to assume the leadership on the floor of the Senate in securing passage by a comparable majority.

Senator FREAR. Mr. John C. Ray, Greater Detroit Board of Commerce.

STATEMENT OF JOHN C. RAY, GREATER DETROIT BOARD OF COMMERCE

Mr. RAY. Mr. Chairman, my name is John C. Ray, and I am here representing the Greater Detroit Board of Commerce and speaking in behalf of the extension of the Reciprocal Trade Agreements Act.

I have a prepared statement here which is some 8 pages long, but being considerate of the committee's time and realizing the fact that there are some 5 or 6 other witnesses appearing today, I would prefer not to read the statement. After listening to Mr. Percy speak, I believe there is very little that I can add to what he has already stated; he made a very convincing statement for the extension of the act.

Senator FREAR. Your complete statement will be made a part of the record.

Mr. RAY. Yes, thank you, Mr. Chairman.

I would like to highlight a few points from my statement:

The Greater Detroit Board of Commerce has some 6,400 individual members representing 4,020 firms in the metropolitan area of the city of Detroit. The membership consist not only of the automobile industry but also such important industries as machine tool accessories, metal stampings, hardware, gray iron foundries, inorganic chemicals, pharmaceuticals, and office machinery. We also have large brass rolling and copper mills, and numerous substantial paint and varnish plants. We produce a large volume of iron and steel, rubber tires, industrial machinery, and aircraft parts.

A few years ago a survey was made of the State of Michigan by the Legislative Reference Service of the Library of Congress, on request of several members of the Michigan congressional delegation, to determine just how the State of Michigan was tied in with the foreign-trade interests of the Nation.

The survey covered 76 percent of all employment in manufacturing in the State of Michigan, and disclosed the following results: That 8 out of 10 workers in manufacturing employment in Michigan are on the payrolls of firms having a positive interest in foreign trade.

This "positive interest" was defined by the survey as companies "which export some of their product, or use imported materials, or both."

Only 1 out of 10 workers was employed by manufacturing firms which encountered competition from imports or firms whose import competition outweighed its export interests.

The remaining 1 out of 10 workers in manufacturing employment were on the payrolls of firms which had no interest in foreign trade whatever.

The result of the survey points up the correctness of the consistently forward-looking views of the Detroit business community on the subject of United States foreign trade policy, as expressed by the Greater Detroit Board of Commerce previously before this committee, and also before the Ways and Means Committee, on this and other tariff matters.

We are very much in favor of H. R. 12591 because it provides for a 5-year period instead of a 3-year period. In fact, we would much rather have seen an 11-year extension period for it in order to give our foreign friends the knowledge that we have some stability in our tariff policy and thus they can rely upon a long period of a continuous certainty in dealings with our country.

We feel that the Trade Agreements Act, both in design and execution, should be regarded as being in the national rather than specific interest. For this reason we are firmly convinced that the safety features which are now part of the legislation such as the escape clause, should be so administered that it continues leaving the determination of facts up to the Tariff Commission. The executive branch, on the other hand, should retain authority to accept or reject Tariff Commission recommendations which are based only on narrow standards of judgment. No one agency such as the Tariff Commission is now or should in the future be charged with determining of what is in the national interest.

The possible overriding considerations of national security, of foreign policy, or of relations with specific countries, can only be determined by the administration as a whole.

Thus, the President must continue to be allowed to consider the national interest in accepting or rejecting recommendations based on narrow criteria. The amendment allowing the Congress to override the President, as proposed in H. R. 12591, is, in our view, an unfortunate step backward in creating new instability in our trade policy.

Furthermore, we feel that the Tariff Commission must be charged, in its escape-clause investigations, with requiring proof that the claim of actual or threatened injury is based on competitive imports being the major cause, not merely a contributing factor, to such alleged injury. Nothing is more destructive of good will and respect for United States policies than the use of "escapes" economically unjustified and morally wrong.

The Trade Agreements Act is no longer an antidepression measure as it was when first passed by Congress. It has become an important instrumentality of United States commercial policy. Its impact is worldwide, for good when forcefully extended, or for harm when hedged about with restricting amendments.

To us at home it means faith in a dynamic economy strong through diversification and technological development. To our friends abroad it has taken on a meaning of American maturity and leadership in a field in which we have excelled, in production and trade.

Let us not jeopardize the important stake that American business, industry, and labor have in an expanding foreign trade and in the better availability of the foreign resources that we need for industrial production. We need this legislation also because it is evidence of a necessary faith in the viability of our dynamic economy.

Apropos of this, I may add one thing to what Mr. Percy mentioned, and that is the Yankee ingenuity. I recall the remark which Senator Flanders made about the American automobile industry being affected presently by foreign competition.

We in Detroit, in the automobile industry in particular, are not shouting "wolf" or running to the hills or complaining about the importation of foreign cars. We are not seeking any relief from Congress. Our present recession in Detroit is certainly not chargeable in any way to the importation of the foreign-made cars.

We are not afraid of foreign competition, by any means. Just as Mr. Percy pointed out, we can and certainly will cope with any competition the foreign automobile manufacturers may want to give us, and we are looking upon these foreign imports with interest.

Thank you.

Senator FREAR. Senator Bennett, any questions?

Senator BENNETT. No, I do not think I have any questions, Mr. Chairman.

Senator FREAR. Thank you very much.

(Mr. Ray's prepared statement follows:)

STATEMENT OF THE GREATER DETROIT BOARD OF COMMERCE

Mr. Chairman, my name is John C. Ray, a customs attorney in Detroit. I am appearing on behalf of the Greater Detroit Board of Commerce, in my capacity as a member and former chairman of the world affairs committee and the imports and customs committee, in order to express our views in favor of H. R. 12591, the bill to extend the Trade Agreements Act.

The Greater Detroit Board of Commerce represents the interests of many thousands of firms and individuals in the Detroit metropolitan area.

Detroit's business and industry is much more diversified than commonly believed. For example, while automobile factories continue to represent a vital factor in Detroit's total industrial picture, the city also holds firm leadership in such diverse and important industries as machine-tool accessories, metal stampings, hardware, gray iron foundries, inorganic chemicals, pharmaceuticals, and office machinery. We are the home of large brass rolling and copper mills, and numerous substantial paint and varnish plants, and we produce a large volume of iron and steel, rubber tires, industrial machinery, and aircraft parts.

The reason for appearing today in favor of your committee's approval of H. R. 12591 can be found in the very material interest of Detroit's commerce and industry in expanding foreign trade.

I believe this interest cannot be better illustrated than by citing the results of a survey made by the Legislative Reference Service of the Library of Congress, on request of several members of the Michigan congressional delegation.

This survey, entitled "Foreign Trade Interests in the State of Michigan," was, incidentally, the first such survey on a statewide basis.

What does the survey show? It covered 76 percent of all employment in manufacturing in the State of Michigan and disclosed the following results: 8 out of 10 workers in manufacturing employment in Michigan are on the payrolls of firms having a positive interest in foreign trade. This positive interest was defined by the survey as companies "which export some of their product, or use imported materials, or both."

Only 1 out of 10 workers was employed by manufacturing firms which encountered competition from imports or firms whose import competition outweighed its export interest.

The remaining 1 out of 10 workers in manufacturing employment were on the payrolls of firms which had no interest in foreign trade whatever.

I should point out that these results do not mean that 8 out of 10 workers are directly employed in foreign trade, but rather that this number of workers are with firms which have a real stake in foreign trade and investment.

The result of this survey bears out the correctness of the consistently forward-looking views of the Detroit business community on the subject of United States foreign-trade policy, as expressed by the Greater Detroit Board of Commerce.

The survey, requested by Michigan's Senators and a majority of the Representatives from Michigan, was made by the Legislative Reference Service of the Library of Congress, under the direction of its senior specialist in international economics, Dr. Howard S. Piquet.

Cost of the project was borne by the Legislative Reference Service, except for travel and expenses involved in duplicating and mailing the questionnaires. Funds for these purposes were made available by a committee of Michigan businessmen, under the leadership of the Greater Detroit Board of Commerce. Persons with widely divergent points of view in regard to foreign-trade policy were members of this committee.

The results of the survey are based on answers to a questionnaire sent to manufacturing firms, mining enterprises, and agricultural organizations throughout the State, supplemented by personal interviews made on field trips covering all of Michigan.

This, the first statewide study made of the importance of foreign trade to employment, is not an economic analysis of the effects of foreign trade on the overall economy of Michigan. The study is an analysis of the responses to a detailed questionnaire which probed for facts on attitudes toward exports, reliance on imports and the inroads (actual or potential) of import competition on each respondent's business.

The overwhelming importance of foreign markets and sources of supply to Michigan employment is underlined by the fact that, when there was doubt whether the export interests or the fear of import competition was predominant, the company was allocated to the import-competitive column. The survey showed—

"The automotive industry stands by itself with a heavy interest in exports and imported raw materials. The other industries within the State may be grouped according to their predominant foreign-trade interest. There are 5 industries in which a positive foreign-trade interest far outweighs any concern over import competition, and 5 in which concern over import competition outweighs any positive interest in foreign trade.

"The five industries in which a positive foreign-trade interest is predominant are machinery, fabricated metals, primary metals, electrical machinery, and transportation equipment (other than automotive). Together, they employ 36 percent of all manufacturing workers in the State.

"The five industries in which concern over import competition outweighs any 'positive' interest in foreign trade are chemicals, lumber and millwork, leather products, instruments, and petroleum products. These 5 industries, considered together, are much smaller than the 5 in the 'positive' interest group and account for not quite 7 percent of all manufacturing workers in the State.

"Other manufacturing industries, accounting for the 18 percent of all manufacturing workers, are food products, tobacco products, textiles, apparel, furniture and fixtures, paper products, printing and publishing, rubber products, stone-clay-glass products, and miscellaneous. In all of them, the 'positive' foreign-trade interest outweighs concern over import competition. In two of them, concern over import competition comes close to equaling the 'positive' interest—namely, stone, clay and glass products, and apparel."

Since companies with a positive interest in foreign trade tend to be the larger employers of manufacturing labor, it is interesting to compare the numbers of companies which either have a direct interest in foreign trade, or in which the positive foreign-trade interest outweighs the fear of import competition, with those companies claiming import competition.

Reporting firms having a positive interest in foreign trade made up 43.5 percent of the total, and employed 83.6 percent of the workers covered by the survey, while 11 percent of the reporting firms (employing 6.4 percent of the workers covered) report that they encounter import competition. Reporting firms claiming to have no interest in foreign trade made up 11 percent of the total and employed 10 percent of the labor covered by the survey.

The survey found that—

"The value of output of all the reporting companies in 1954 amounted to almost $20 billion, of which the automobile industry accounted for over $12 billion.

"Companies reporting that they face import competition, while neither selling for export nor using imported raw materials, produced goods valued at $354 million in the same year, which was less than the value of the goods exported by companies reporting a positive interest in foreign trade. In the same year, companies reporting a 'mixed' foreign-trade interest had an annual output of $11,300 million and exported goods valued at $433 million.

"Although companies which report that they have no direct interest in foreign trade account for over 46 percent of all the companies reporting, they produced goods valued at only slightly more than $1 billion in 1954."

The overall result of this survey shows that, by whatever standard used, the State of Michigan has an overwhelmingly important stake in exports and imports and their expansion. The value of Michigan production and a large share of its employment are directly related to the health and vigor of the international economy.

I would like to give one other illustration of the importance of exports to the health of the Michigan economy. In 1954, the period on which this survey was based. Michigan was the third most important supplier of exports to Switzerland, following New York and Ohio.

In 1956, according to recent data published by the American Society for Friendship with Switzerland, Michigan outranked both Ohio and New York in the value of goods sold to Switzerland, one of our best European cash customers, which has consistently been buying more from us than we have bought from her.

These illustrations, I believe, give you a good idea why we in Michigan believe that freer trade is essential to us. However, we don't think our position is unique. We are firmly convinced that a forceful and forward-looking trade policy is essential to the Nation as a whole.

There are several reasons why the extension of the Trade Agreements Act is of vital importance to the United States.

One of these is the emergence of the European Economic Community, the so-called Common European Market, which came into operation in January of this year and which may in the future become part of a European free-trade area. While we must welcome efforts to break down the unnecessary barriers which for so long have held back a stronger, more viable Europe, we also recognize the need for the Trade Agreements Act to provide us with an opportunity to negotiate with the Common Market for the mutual reduction and stabilization of trade barriers. We believe that continued negotiation authority is necessary to preserve our commercial stake in Europe and to prevent discrimination against American goods in that area.

The European Economic Community has a population almost as large as that of the United States and has been a good customer of ours. Last year, approximately $3 billion worth of American goods was purchased from us by the 6 Common Market countries. That stake must be preserved, and for the United States to abandon the only proper vehicle for safeguarding this interest would be shortsighted indeed. Since the Common Market will take some 12 to 15 years to bring about the economic integration of the 6 Common Market countries, we feel it is important for the Trade Agreements Act to be extended for a long-term period. In order to give us that extended negotiation potential to work with our European trading partners for a reduction of trade barriers and to prevent the rise of a common tariff wall in Western Europe, some stability of legislative intent and at least a 5-year extension of the Trade Agreements Act is essential.

We must also be fully aware that a lapse of the Trade Agreements Act would be a warning to our trade partners that the United States is about to return to protectionism in its commercial policy. The result would be a vicious cycle of growing restrictions against American exports around the world, with a seriously adverse effect on our economy. This result would, in all probability, also be the case, should the basic Trade Agreements Act be seriously weakened.

Another reason why a weakened and debased Trade Agreements Act might have calamitous consequences for the United States is due to the real threat of the commercial warfare promised by Khrushchev. We cannot take lightly Khrushchev's boast that he is declaring war on the United States in the field of commerce, or, as he put it, "We declare war on you in the peaceful field of trade."

We may not be able to counter every move the Soviet Union makes to wean away from the family of free nations those who are less committed, or less prosperous, or weaker. But we can give our trading partners a better opportunity to earn their way, with less reliance on financial aid from us, and we can show them the promise of a better tomorrow by permitting them a fair chance on the market place.

We wish to give our support to the extension bill now before you, believing it to be the very minimum program to preserve the gains made in freeing our trade from unnecessary barriers.

We continue to believe that it would be highly desirable, and even essential, to achieve stability for United States trade policy by extending the basic Trade Agreements Act not for a mere 5 years, but to provide for an extension for 11 years. Such an extension would be most dramatic proof that we accept Khrushchev's challenge in a field of warfare that America knows best. It would prove to our trading partners in the free world that American leadership in world trade was not being abandoned, but reasserted in a most constructive way.

We should point out that a long-term extension of the Trade Agreements Act is also in the interest of American traders and producers. We cannot emphasize too strongly the need for stability in our trade policy so that the businessman can engage in long-term planning. Only by having a set of rules that is not changed every other year can the real productivity and real efficiency become effective for the American trader and manufacturer. The frequent reviews and changes in the Trade Agreements Act, through the recent past, have been a hardship for our trading partners as well as for American foreign traders.

We do not agree with the provision permitting the increase of tariff rates on the 1934 base rather than the 1945 base as at present. No need has been demonstrated for tariff-increase authority on such a sweeping scale. It would introduce an element of even greater instability in United States tariffs than has recently been the case.

We can see little reason for providing, in the bill now before your committee, for the institution of an escape-clause investigation following a finding by the Tariff Commission in a peril-point investigation that a given tariff rate may cause injury to domestic producers. Since, under present legislation, a request for an escape-clause investigation is the right of any industry suffering or threatened with injury, this new provision can only bring up the question, "Why did not the affected industry request an escape-clause investigation on its own behalf?"

In our view, the Trade Agreements Act, both in design and execution, should be regarded as being in the national rather than specific interest. For this reason, we are firmly convinced that the safety features which are now part of the legislation, such as the escape clause, should be so administered that it continues leaving the determination of facts up to the Tariff Commission. The executive branch, on the other hand, should retain authority to accept or reject Tariff Commission recommendations which are based on narrow standards of judgment. No one agency, such as the Tariff Commission, is now or should be in the future charged with determining what is in the national interest. The possible overriding considerations of national security, of foreign policy, or of relations with specific countries can only be determined by the administration as a whole. Thus, the President must continue to be allowed to consider the national interest in accepting or rejecting recommendations based on narrow criteria. The amendment proposed in H. R. 12591 is, in our view, an unfortunate step backward in creating new instability in our trade policy.

Furthermore, we feel that the Tariff Commission must be charged, in its escape-clause investigations, with requiring proof that the claim of actual or threatened injury is based on competitive imports being the major cause, not merely a contributing factor, to such alleged injury. Nothing is more destructive of good will and respect for United States policies than the use of escapes economically unjustified and morally wrong.

The Trade Agreements Act is no longer an antidepression measure, as it was when first passed by Congress. It has become an important instrumentality of United States commercial policy. Its impact is worldwide, for good when forcefully extended, or for harm when hedged about with restricting amendments.

To us, here at home, it means faith in a dynamic economy strong through diversification and technological development. To our friends abroad, it has taken on a meaning of American maturity and leadership in a field in which we have excelled, in production and trade.

Let us not jeopardize the important stake that American business, industry, and labor have in an expanding foreign trade and the better availability of the foreign resources that we need for industrial production. We need this legislation, also, because it is evidence of a necessary faith in the visibility of our dynamic economy.

Thank you, Mr. Chairman.

Senator FREAR. Mr. Richard Revnes, Chicago Association of Commerce & Industry.

Have a seat, Mr. Revnes.

STATEMENT OF RICHARD REVNES, DIRECTOR OF SERVICES, CHICAGO ASSOCIATION OF COMMERCE & INDUSTRY

Mr. REVNES. Senator, my name is Richard Revnes. I am director of membership services for the Chicago Association of Commerce & Industry, which is, in fact, the chamber of commerce for the Chicago metropolitan area.

In light of the short time, I shall enter the written statement for the record, and briefly comment on a few of the paragraphs stressing the importance of foreign trade, both to Chicago and the Midwest.

Senator FREAR. Without objection, your statement will be made a part of the record.

Mr. REVNES. Thank you, sir.

I should, further, like to state the association's position in regard to H. R. 12591, and make a final statement and remark on a personal note.

The Chicago Association of Commerce makes the following recommendations with respect to H. R. 12591:

1. That the act be renewed for the period of 5 years proposed in the bill before you. It is our considered opinion that 5 years is the minimum time necessary for the United States and United States businesses to develop a policy and carry out negotiations, particularly with the important new European Common Market.

2. That the President be granted authority to reduce tariffs on a gradual and selective basis, in return for concessions by other countries, as provided for in H. R. 12591.

Recently, we have undertaken a survey to determine the exact extent of the exports emanating from the Midwest. We are still analyzing the ample of our survey, which has been entered also as a part of the record, and according to projections which we think we are now able to make based on the validity of the sample, we estimate that there are some 4,500 to 5,000 companies in the area, the Midwestern area indicated on the map of the survey, which are actively engaged in exporting.

It is interesting to note that 557 firms or 9 percent of the total of the questionnaires sent out have answered, and that they have indicated that their volume of exports is about $900 million.

Projecting this figure for the total of the sample, we estimate that the total in these areas, which are not the total of the Midwest actually, but only a portion of the Midwest, represent about $7.1 billion of exports.

There has been a recent survey, just completed, by the United States-Japan Trade Council, which reports that five States of Illinois, Indiana, Ohio, Michigan, and Wisconsin accounted for $309 million worth of sales to Japan alone in 1957, and that these five States' exports to Japan surpassed all other regions of the United States.

I think it is understandable, the concern of the manufacturers and workers of the Midwest, that Japan is in a dollar-short position due to its $600 million imbalance of trade with the United States inasmuch as we sell so much to Japan.

Preceding witnesses have presented in detail testimony that renewal of the Reciprocal Trade Agreements Act in an effective manner is essential to our national economic and political interests; that the jobs provided by our exports, and imports of needed commodities, far outnumber those adversely affected by the importation of a comparatively small amount of competitive foreign goods.

The reciprocal trade agreements program is a basic cornerstone of our foreign economic policy. The Chicago Association of Commerce and Industry, therefore, strongly urges that the act be extended in an effective form.

H. R. 12591, providing for a period of 5 years and negotiated reciprocal duty reductions, but with provisions for defense essentiality protection and relief from undue import competition, should be passed without amendment.

This, we believe, is in the best interest of not only our members and area, but of the entire United States.

I should just like to enter for the record, if that can be done, that I have completed just recently a 35,000-mile trip through almost all of Western Europe and South America. I have met with literally hundreds of government trade officials and businessmen in these countries, and I have found without exception that both the countries and the businessmen are eager to buy more goods from the United States, notwithstanding Senator Long's concern over the high cost of our production in this country.

Only a small percentage of the cities and areas which I visited are industrialized at all. They need plant investment, capital investment, in very large amounts, and a conservative estimate would place their need at about on an annual trading basis of $35 billion of purchases from the United States, within the next 5 years, if we can get around to negotiating our reciprocal arrangements with these countries on an effective basis and in an effective manner.

That is my statement.

Senator FREAR. Is that on a United States cash basis?

Mr. REYNES. Yes, sir, on a United States cash basis.

Senator FREAR. Senator Bennett?

Senator BENNETT. You mean $35 billion a year, or $7 billion?

Mr. REVNES. Yes, sir, $35 billion a year during the next 5-year period. The capital investment need for these countries, as Mr. Percy pointed out, is very great. They recognize the need for development to compete in world markets, because low-cost labor does not necessarily make them competitive in a world market as well.

Senator BENNETT. Thinking in terms of American capital investment, or are they thinking in terms of trade?

Mr. REVNES. They are thinking in terms of trade, but purchase of American capital goods. They are very anxious to make licensing arrangements where possible; and if protection can be given to the American manufacturer so that his patents can be protected internationally and the copyrights of his products, I think American businessmen are willing——

Senator BENNETT. Do you think the people of Chicago would be as interested in continuing the reciprocal trade arrangement if their share of the domesticaly produced products had to be wiped out of the market in order that the trade abroad might be stepped up to $35 billion?

Mr. REVNES. I think that almost all economic activity, Senator, is predicated on enlightened self-interest, and I believe that American businessmen are ingenious, as Mr. Percy has said, and also as resourceful as the need arises. I believe it is within the Midwest's most enlightened self-interest today to be a great advocate of international or foreign trade.

Senator BENNETT. Let us be specific a minute.

We do not have an increase in our gross national product of $35 billion a year, and if these people expect to step up their trade with us by $35 billion, then obviously the American production sold in the American market must be diminished by a very large part of that amount of volume.

Mr. REYNES. Well, I cannot agree on that, sir.

Senator BENNETT. Tell me why.

Mr. REVNES. I cannot agree the economy is not expanding enough to take care of an additional billions of dollars of exports without handicapping the expansion of the domestic market.

Senator BENNETT. Let's be reasonable. Our domestic market is not expanding $35 billion a year.

Mr. REVNES. I do not say in 1 year we can expand, but in a period of 5 years of good negotiations, reductions of tariffs on a negotiated basis, I think we can increase our trade with the rest of the world to a total of about $35 billion.

Senator BENNETT. Then you are reversing your position, you are reversing your answer to my first question. I asked you if they wanted $35 billion a year or $35 billion over 5 years, and you stated $35 billion a year.

Mr. REVNES. I misstated my position, I am sorry.

Senator BENNETT. Thank you, Mr. Chairman.

Senator FREAR. Thank you, Mr. Revnes.

Mr. REVNES. Thank you.

(Mr. Revnes' prepared statement follows:)

STATEMENT OF RICHARD REVNES, DIRECTOR OF SERVICES, CHICAGO ASSOCIATION OF COMMERCE AND INDUSTRY

My name is Richard Revnes. I am director of services of the Chicago Association of Commerce and Industry. I appear on behalf of the association to present its views on H. R. 12591, the bill to renew the Reciprocal Trade Agreements Act.

The Chicago Association of Commerce and Industry is a voluntary organization of individuals, firms, and corporations, organized and existing under the laws of the State of Illinois. It has 6,100 member organizations. Through committees and a professional staff of more than 100 individuals, these member organizations work together to improve the Chicago metropolitan area's commercial, industrial, and civic operations. Although the name of our organization is the Chicago Association of Commerce and Industry, it functions as the chamber of commerce for the Chicago metropolitan area.

The Chicago metropolitan area has been designated as such by the Bureau of the Census, United States Department of Commerce, and comprises an area including 5 counties in Illinois and 1 county in Indiana. In this area are included, in addition to Chicago, approximately 180 suburban or satellite communities, among them such important industrial towns and cities as Gary, Hammond, Aurora, Elgin, Cicero, Skokie, and Waukegan.

Within this area are located 14,000 manufacturing establishments, in which a total of about three million people are employed. The population of the area is approximately 6,400,000. The Chicago metropolitan area is comprised of 3,617 square miles, an area larger than the combined States of Delaware, Rhode Island, and the District of Columbia.

The Chicago Association of Commerce and Industry endeavors to promote the growth and stability of business in the Chicago metropolitan area and improved legislation that forms the framework within which the area's business operates.

The association was founded in 1904. Funds to carry on its operations come from voluntary membership dues paid by Chicago business firms and professional men and women. About 1,000 members serve on a wide variety of permanent or special committees. Each committee is composed of persons chosen for their standing in the community and for their wide knowledge in some particular field of business or civic endeavor. Specific examples of this committee activity are the work of the world trade committee, the Canadian-American trade and industry commitee, the transportation committee, the harbors and waterways committee, and the aviation committee.

As set forth in the 1957-58 annual report, committee directory submitted with my written statement, the committees, officers, and directors of the association represent a broad cross section of the area's commerce, industry, and civic organizations.

The association has supported the reciprocal trade agreements program since its inception, being among the first two chambers of commerce in the United States to record that support. Upon the occasion of each previous renewal of the Reciprocal Trade Agreements Act, the association committee concerned, and the association's board of directors, have considered the legislation proposed and have reaffirmed support of the program.

In arriving at our decision to support the Reciprocal Trade Agreements Act, due consideration is given to the widely varied and sometimes conflicting interests of our membership. The consistency of the actions of our committees and boards of directors, representing widely divergent interests, over the period of the last 25 years, demonstrates, I believe, that our support of this legislation is sound and reflects the thinking of the majority of the association's membership. The most recent reaffirmation of this association's approval of the reciprocal trade agreements program was by the unanimous vote of our board of directors.

The Chicago Association of Commerce and Industry makes the following recommendations with respect to H. R. 12591, which would extend the Reciprocal Trade Agreements Act:

1. That the act be renewed for the period of 5 years proposed in the bill before you. It is our considered opinion that 5 years is the minimum time necessary for the United States to develop a policy and carry out negotiations with the important new European Common Market.

2. That the President be granted authority to reduce tariffs on a gradual and selective basis, in return for concessions by other countries, as provided for in H. R. 12591.

Foreign trade is vital to the expanding economy of the Chicago area and all of Mid-America. Although it is not possible to determine the exact extent of the total exports of this area under methods used to compile foreign trade statistics, various studies give some indication of its volume. According to the 1954 Census of Manufactures, the Chicago metropolitan area ranked first among metropolitan areas in the production of primary metals, fabricated metals, and nonelectrical machinery; second in foods, electrical machinery, chemicals, printing and publishing, furniture and fixtures, and paper.

The Department of Commerce, conducting an exhaustive research into the impact of foreign trade on various geographical areas of the United States, reports that in Cook County, 1 of the 6 counties in the Chicago metropolitan area, about 461,000 workers participate in the benefit of such trade. About 60 percent of all those employed in manufacturing in Cook County are in firms falling into 5 major manufacturing classifications: fabricated metal products, nonelectrical machinery, printing and publishing, food and kindred products, and electrical machinery. The county's proportionate share in United States exports of these 5 groups amounted to over $400 million in 1956. Cook County establishments in these industry groups engage directly in foreign trade, but this is only part of the picture. Many of the county's products are exported as component parts.

According to the 1954 Census of Manufactures, there are over 1,000 establishments in Cook County engaged in producing food and kindred products, employing about 95,000 people. Food and kindred products accounted for more than $1 billion worth of exports nationally in 1956. Cook County's share of these exports is estimated at $60 million.

Approximately 112,000 persons were employed by 581 Cook County firms in the production of electrical machinery at the time of the Commerce Department survey. In 1956 total United States exports of electrical machinery exceeded $921 million. Computed on a per employee basis, Cook County's proportionate share of these exports is an impressive $102.8 million. The county was responsible for more than one-tenth of the exports of electrical machinery in 1956, on a proportionate share basis.

The Commerce Department survey also shows that 1,571 firms in Cook County producing nonelectrical machinery employ a total of more than 106,000 persons. In 1956 the national total for exports of nonelectrical machinery was nearly $3 billion. Cook County's share, computed on a proportionate basis, is better than $104 million.

In printing and publishing, better than 75,000 persons are employed in Cook County. Nationally, the United States exports printed and published materials valued at close to $100 million. In this field the most important consideration is not export, but import. These industries in Cook County have a large stake in foreign commerce because approximately 80 percent of the newsprint consumed in the United States is imported. These printing and publishing houses are also using inks manufactured with imported dyes and type facings made of imported alloys.

In fabricated metal products there were in 1956, 1,751 firms in Cook County employing about 83,000 persons. The national total for exports of fabricated metal products that year was $443 million. Computed on a per employee basis, this would give Cook County a proportionate share of exports in this classification of nearly $34 million. It is estimated that there are in the Chicago metropolitan area more than 2,000 firms engaged in exporting, including close to 200 export sales organizations, which handle the foreign sales of manufacturers not having their own export divisions.

The Middle West is the source of an estimated 40 percent or more of United States exports, agricultural and manufactured. In an exhaustive export survey which the association is now completing, we mailed approximately 6,000 questionnaires to firms in the States of Illinois, Indiana, Iowa, Nebraska, and Kansas, and parts of Minnesota, Wisconsin, Michigan, Kentucky, Tennessee, Arkansas, Colorado, South Dakota, and Wyoming, believed to be actively engaged or interested in export activity. The geographical area covered in this survey is shown on the questionnaire which is submitted as part of this statement.

Up to the present time, 557 firms have completed or partially filled in and returned the questionnaire. On the basis of such returns, it would appear that 4,500 to 5,000 companies in the area shown are actively engaged in exporting. Of the 557 firms that furnished information, 521 reported exports in 1956 of 2,967,223 tons, of which 1,766,116 tons were manufactured goods and 1,201,107 tons, agricultural products, coal, minerals, cotton, etc.

Dollar value totaling $873,255,000 was reported by 420 of the 557 firms. If all 557 companies had reported both tonnage and dollar value figures, it is conservatively estimated that the total tonnage and dollar value of the 1956 exports of these firms would be 3,172,220 tons and $1,133,800,000.

A recent survey completed by the United States-Japan Trade Council reports that the 5 States of Illinois, Indiana, Ohio, Michigan, and Wisconsin accounted for $300 million of sales to Japan in 1957. This surpassed all other regions of the United States.

The growth of import activity in the Chicago metropolitan area in recent years is reflected by the increase in the number of importers, import agents and brokers in the area. The records of our World Trade Division disclose that in 1950 there were 483 such firms and individuals; in 1954, 823; and currently more than 1,200. These include manufacturers that import raw materials and component parts used in the fabrication of their products, wholesalers which distribute throughout the area, and retailers such as our major department stores, which sell through their own outlets.

Forecasts by responsible governmental and private institutions as to the volume of waterborne commerce, foreign and domestic, expected to move by the St. Lawrence seaway when the project and connecting channels are completed range from 37 to 40 million tons. In metropolitan Chicago, two additional waterway projects—port development in the Lake Calumet area by the Chicago Regional Port District, and at the mouth of the Chicago River by the city, and the widening of the Sag Channel connecting Lake Calumet with the Chicago Sanitary and Ship Canal and the Illinois River—are underway. Within 1 year after completion of the various projects, scheduled for 1962, it is estimated that overseas cargo of all types moving through the port of Chicago should increase to at least 1,500,000 tons.

We have estimated that within 15 years after the completion of the three projects mentioned, new investment in industrial-plant facilities will reach $10 billion. Within this same period it is anticipated these new industries will provide jobs directly and indirectly for several hundred thousand workers, including 40,000 jobs directly connected with water transportation. The estimate, therefore, of 1.5 million tons within 5 years after the seaway is completed is believed to be conservative.

All of the present facts and future projections make it clear that the already important international commerce of Chicago and the Middle West requires the continuance and extension of a foreign economic policy that will result in the maintenance and expansion of world trade. The United States consistently exports more than it imports. If we are to continue to have an export business that provides jobs for millions of United States workers without underwriting indefinitely, through foreign aid, the difference between our foreign sales and our imports; if we want to bring back to this country, in dollars, the earnings on investment abroad; we must make it possible for other nations to market i. this country raw materials and finished products which we need and want.

Preceding witnesses have presented in detail testimony that renewal of the Reciprocal Trade Agreements Act in an effective manner is essential to our national economic and political interests, that the jobs provided by our exports, and imports of needed commodities, far outnumber those adversely affected by the importation of a comparatively small amount of competitive foreign goods.

The reciprocal trade agreements program is a basic cornerstone of our foreign economic policy. The Chicago Association of Commerce and Industry, therefore, strongly urges that the act be extended in an effective form. H. R. 12591, providing for a period of 5 years and negotiated, reciprocal duty reductions but with provisions for defense essentiality protection and relief from undue import competition, should be passed without amendment. This, we believe, is in the best interest of not only our members and area but of the entire United States.

Senator FREAR. Mr. Bernard Weitzer, Jewish War Veterans of the United States of America.

STATEMENT OF BERNARD WEITZER, NATIONAL LEGISLATIVE DIRECTOR, JEWISH WAR VETERANS OF THE UNITED STATES OF AMERICA

Mr. WEITZER. I have a brief statement here, and I think I can save the committee's time by reading it rapidly rather than to try to comment on it.

Senator FREAR. All right, sir.

Mr. WEITZER. As you see from the text of the statement, we are strongly in favor of the passage of the bill you are considering here before your committee.

On behalf of the Jewish War Veterans of the United States of America, I am happy, once again, to express appreciation for the opportunity to present to your important committee our views on the Trade Agreements Extension Act which you are now considering.

This time, as on previous occasions, I appear before this committee by the authority of the strongly worded resolution passed by our national convention. The following resolution was passed at our 62d annual national convention:

Whereas, the Reciprocal Trade Agreements Act comes before the Congress for renewal in the 2d session of the 85th Congress; and

Whereas in its functioning through the General Agreement on Tariffs and Trade, this act has proved notably successful in promoting American exports and our foreign trade as a whole and minimizing the frictions and restrictions which occasionally develop in the course of trade; and

Whereas we have long recognized that the exchange of imports and exports with our friendly world neighbors is an important factor in our own economic and political well-being as well as theirs and moreover contributes to our joint national security, and

Whereas we have regularly supported the reenactment of the Trade Agreements Act as a practical means of facilitating imports which produce the dollar exchange to pay for American exports to these foreign countries, and

Whereas the proposed Organization for Trade Cooperation will make even more productive, the objectives of the reciprocal trade agreements program and the General Agreement on Tariffs and Trade: Now, therefore, be it

Resolved, That the Jewish War Veterans of the United States of America in 62d Annual National Convention assembled at Boston, Mass., August 12–18, 1957, do commend the administration for the manner in which it has conducted the operations of the Reciprocal Trade Agreements Act of 1955 and the negotiations conducted under the General Agreement on Tariffs and Trade, and be it further

Resolved, That we urge the 85th Congress to authorize a renewal of the Trade Agreements Act for a period of not less than 3 years, to include in the legislation authorization for the Organization for Trade Cooperation and to refrain from tariff legislation which interferes with the functioning of the Reciprocal Trade Agreements Act.

The membership of our organization made up of men and women who have served in our Nation's Armed Forces, principally, as citizen-soldiers, sailors, and airmen, having largely returned to their civilian pursuits, continue their keen interest in our national security.

They recognize the importance of maintaining our own military strength and that of our allies in deterring war against us by a strong, shrewd, potential enemy—Soviet Russia and its Communist satellites. Our membership is equally aware that the military deterrent must be matched in strength by a sound productive economy in our own land and in all those lands which have not been sucked into the Communist orbit.

To maintain that strong productive economy and to complete our national security, the continuation of the reciprocal trade agreements program is more imperative, today, than ever.

The activities of the states in the Soviet bloc, under Kremlin leadership, in pushing for expansion of their foreign trade and their economic penetration in the free world, evidence their determination to compete in that area. Failure to continue our foreign trade policies as exemplified in the reciprocal trade agreements program would serve admirably to advance the Communists' trade objectives and to undermine our own strength.

As one looks over the figures of our export and import trade during the years 1950 through 1957, the flow of products back and forth is powerful evidence of the profitable returns to ourselves and to the nations with whom we have traded. During 1957, our exports mounted to a rate of more than $21 billion, and our imports were in the neighborhood of $13 billion.

Roughly, for every $2 of import, there were $3 of exports. From their natural resources and other materials plus productive powers of their working people, these foreign lands fashioned the products which they shipped to us and thereby obtained the dollar exchange which went far to permit them to pay for American products which required the work of approximately 4½ million American citizens.

We, in our country, secured goods which in many cases are vital to our industry and to our national defense, and which are lacking or extremely scarce in our own country. Other items in our imports enabled our people to enjoy some extra satisfaction in their daily living and to secure more economically what they wanted.

Our own exports provided in other lands, even more importantly, needed goods and materials which are essential to daily life and which stimulated their industries. Thus our own Nation and all the nations with whom we traded as a consequence of our reciprocal trade agreements program enjoyed the benefits of the type of partnership from which all benefited and which strengthened all.

This has been particularly important to many of the newly independent nations striving for a sound economy in order that their social and political systems may be stable, and that the pressures of a low per capita income will not make their people easy targets for Communist propaganda. This factor is weighty, as well, even in the industrialized nations of Europe.

The continuing momentous forces promoting our full national security, and our world security, generated by the Reciprocal Trade Agreements Act must be maintained. It cannot be expected that in this effort for strength, we will not find in the wide expanse of our industries, occasional small pockets of weakness which are exposed in world trade competition just as the free competitive system in our own country has exposed them throughout history during our advances in technology, in development of new products, and in the changing desires of the consuming public.

The Reciprocal Trade Agreements Act of 1955 broadened the escape clause procedure to take care of these weaknesses. Yet I want you to consider the record of what has happened for, as reported by the 9th edition of the United States Tariff Commission, Investigations Under the Escape Clause of Trade Agreements, reports as of February 1958, 86 applications for escape clause action were filed with the Commission ever since such investigations were provided, as compared with the 59 applications which I discussed with you in January 1955.

Thus, the average number of applications per year during the last 3 years has scarcely changed from those filed in previous years. Some of these investigations have been applied for time and again, and in the past 3 years the Tariff Commission has recommended escape clause action somewhat more frequently than previously, and the President has invoked the escape clause 4 times in the last 3 years as against 5 times in the 6 years prior to 1955.

It is apparent from these figures that provable harm has been done to very few industries under the reciprocal trade agreements program.

H. R. 9505 has been introduced to provide for aid to workers, industrial enterprises, and communities who are injured or threatened with serious injury as the result of imports into the United States. I am confident that your committee, if such a bill is within your province, can work out adequate legislation to take care of real injury.

This would be far better, where necessary, than to sacrifice our national security to the clamor which has been evolved from these very few and relatively insignificant situations. You should not permit such situations to swerve you from continuing the demonstrated benefits which the reciprocal trade agreements program has produced. We should not surrender the world, piece by piece, to economic aggression or subversion to any greater degree than we would yield supinely to Soviet military aggression.

In the first case, the stakes would be dollars alone; but in the second, it would be millions of precious lives as well as many, many times more dollars.

I just want to interject here. During wartime, men are called up for service in the armed services and, as you know, millions of men have suffered death and injury in the defense of our country.

We did not hesitate to do that because the national security of the country was involved, and I think the national security of our country is involved today just as much in this trade fight as it ever has been in wartime.

And what the veterans who lost their lives and suffered injury underwent for the security of their country, I think is not too much for some of these industries which may not be able to meet the situation but which, as I have indicated can be provided for through legislation; that ought not to be counted as an obstacle to the continuation of the reciprocal trade agreements program.

There is, presently, a further reason for the passage of H. R. 12591 as a minimum in the extension of the reciprocal trade agreements program as it has been functioning. Our foreign trade should not be hampered in any way at a time when there are recessionary forces at work in our economy. Not only would such a curtailment damage our own economy, but it would signal to the world that we were obsessed by fear, and fear is frightfully contagious.

Extension of the reciprocal trade agreements program for 5 years would be a signal of courage and a proof of our conviction that as a world leader, our Nation is determined to march ahead.

Your approval of H. R. 12591 will strengthen our national security in the broadest terms, in our domestic well-being, in a productive economy in our own land, and in the improved stability of all the countries on our side of the Communist Iron Curtain.

Thank you very much.

Senator FREAR. Senator Bennett?

Senator BENNETT. No questions.

Senator FREAR. Thank you very much, sir, for your testimony.

Mr. Otis H. Ellis, National Oil Jobbers Council.

STATEMENT OF OTIS H. ELLIS, GENERAL COUNSEL, NATIONAL OIL JOBBERS COUNCIL

Mr. ELLIS. My name is Otis H. Ellis. I am engaged in the general practice of law in Washington, D. C., maintaining offices at 1001 Connecticut Avenue, and am appearing here today on behalf of the National Oil Jobbers Council in my capacity as general counsel for that organization.

I would like to state at this time, Mr. Chairman, I will read excerpts from my statement in order to stay within the time limits, with the request that the whole statement be carried in the record in its continuity form.

Senator FREAR. Without objection, your complete statement will be made a part of the record.

Mr. ELLIS. The National Oil Jobbers Council is a trade group composed of 30 State and regional associations of independent jobbers and distributors of petroleum products. These associations, covering 37 States, represent the greater majority of the thousands of bona fide independent petroleum jobbers in the United States. Following is a list of the member associations:

Alabama Petroleum Association, Inc.
Arkansas Independent Oil Marketers Association
California Petroleum Marketers Council (jobber division)
Colorado Petroleum Association
Connecticut Petroleum Association
Empire State Petroleum Association
Florida Petroleum Marketers Association, Inc.
Georgia Oil Jobbers Association
Illinois Petroleum Marketers Association
Independent Oilmen's Association of New England
Indiana Independent Petroleum Association, Inc.
Intermountain Oil Jobbers Association
Iowa Independent Oil Jobbers Association
Kentucky Petroleum Marketers Association (jobber division)
Michigan Petroleum Association
Mississippi Oil Jobbers Association
Missouri Petroleum Association
Petroleum Marketers Association of New Mexico (jobber division)
Nebraska Petroleum Marketers, Inc.
North Carolina Oil Jobbers Association
Northwest Petroleum Association
Oklahoma Oil Jobbers Association
Pennsylvania Petroleum Association
South Carolina Oil Jobbers Association
South Dakota Independent Oil Men's Association
Tennessee Oil Men's Association
Texas Oil Jobbers Association
Virginia Petroleum Jobbers Association
Wisconsin Petroleum Association
Wyoming Oil Jobbers Association

THE JOBBERS' POSITION IN THE PETROLEUM INDUSTRY

Independent jobbers distribute approximately 85 percent of the household burning oil consumed in the United States; 35 percent of the gasoline sold and delivered to the service stations; well over 50 percent of all petroleum products delivered to farm tanks; and approximately 60 percent of the residual oil imported into this country. In order to participate to this extent in the sale and distribution of petroleum products, it is necessary that jobbers own millions of barrels of storage capacity and thousands of trucks. Fortunately for the security of the Nation, these storage and distribution facilities are widely dispersed and form our final tributaries of distribution. It is equally fortunate from an economic standpoint that this widespread group of truly independent businessmen still exists and actively competes for the consumers' business. This degree of participation further shows that the jobber is a real party at interest in the outcome of any legislation which would affect the price or supply of petroleum products.

THE JOBBERS' POSITION ON CUSTOMS AND TARIFFS

The National Oil Jobbers Council has never attempted to take a position with reference to the broad aspects of international trade. They have, however, traditionally opposed legislation or proposed amendments to existing legislation which would specifically restrict imports of either crude oil or products or which could directly or indirectly be used for that purpose. The only exception is the existing escape clause provisions which we feel are adequate to afford all protection necessary to insure a healthy domestic industry while at the same time affording the President ample means of maintaining and improving reciprocity of trade with other nations.

In 1955 we opposed the so-called national security amendment to the Trade Agreements Act. While the jobber is just as interested in national security as any other citizen or businessman, we opposed this amendment because we believed that the proponents were merely using national security as sex appeal language to obtain support for an amendment which could be used to camouflage their real intentions which were directed to the end of erecting artificial barriers for their competition, thus enabling the proponents to sell more of their products or production at higher prices to the American consumer. Our fears appear to have been justified. While this amendment has not as yet been officially invoked, it has been used like a pistol to force importers into complying with a so-called voluntary plan of import quotas.

It is, therefore, our recommendation that the national security amendment to the Trade Agreements Act either be eliminated or modified in such a way as to insure that the discretionary authority granted thereunder be used only to preserve our national security, and that findings in regard to national security are not in reality an excuse for yielding to pressure groups who have for years sought to have import restrictions imposed on competing commodities or products.

Since witnesses representing certain domestic producer groups will not be heard by this committee until a subsequent date, I can only assume that some, if not all, of them will again propose to this committee the same amendments to restrict oil imports as they proposed to the Ways and Means Committee in the House.

I might add, it is my information that there is a long list of witnesses who will appear on the last day of these hearings to propose restrictions on oil imports. Those of us who oppose that position are placed in a very bad position here, because we have to anticipate what their proposals will be. And at this time, Mr. Chairman, I would like to ask the privilege of submitting a statement subsequent to their testimony, for the record, in response to their proposals.

Senator FREAR. I will inform the witness there has been a closing date for the record, and I will inform the witness——

Mr. ELLIS. I do not ask any extension of the closing date for whatever statement I would have, but it would be within that time, which I understand is July 4.

Senator BENNETT. It is interesting that we have a witness who insists on having the last word.

Senator FREAR. Rebuttal is not always concurred in here, but we want to have your testimony in relation to the bill and not in rebuttal of others' testimony.

Mr. ELLIS. You understand my position, Mr. Chairman. Usually the complainant in a lawsuit appears first and the defendant has an opportunity to hear him. In this instance the complainants who seek change are given the position of a defendant.

Senator FREAR. I am sure the chairman of the committee will attempt to be as fair as he can within the rules of the committee.

Mr. ELLIS. Thank you, sir.

This is a reasonable assumption in view of the fact that representatives of some of these groups have stated for publication that, despite their failure in the House, they would renew their request for restrictions on oil imports in the Senate.

7. THE PROPONENTS OF OIL IMPORT RESTRICTIONS

Since the amendments proposed by the coal producers and the so-called independent oil producers in the House were identical, it it obvious that these two groups are again in bed together. This, of course, is nothing new, since the two groups have been besieging the Congress, and everyone else who would listen, with their pleas for restrictions on imports of crude oil and residual oil since 1929.

I have listened to and read their arguments so much and so often that they have long since taken on the aspect of a broken record. I, in turn, find myself in much the same position in responding to their arguments. It becomes embarrassing to me to have to repeat to this committee the false prophecies which spokesmen for these groups have made to the Congress for the past 29 years, and to again remind the Congress that their prophecies have proven to be generally erroneous.

As early as July of 1929, Mr. George W. Lewis, legislative agent of the United Mine Workers of America, in a brief filed with this committee, recommended a prohibitive excise tax on fuel-oil imports. Mr. Lewis at that time stated, in substance, that to permit the continued free entry of millions of barrels of foreign oil would simply mean the wrecking of the great coal industry. Of course, Mr. Lewis failed to tell the committee that the cause of the increase in residual oil imports was principally attributable to the great coal strike in

1927. It was during that year that industrial users of coal were caused great and undue hardship because they did not have an adequate supply due to the strike. As a result, they began to look for a new form of fuel that could be supplied with some degree of certainty, and they found it in residual oil, both domestic and imported. It may be recalled that this strike lasted for several months, and as a result the coal industry had 23 million man-hours idle for the year 1927. The coal producers also failed to tell you that at spasmodic intervals thereafter there has been strike after strike. As a result, industrial users of coal, as well as the operators of large heating facilities, found that coal was not a dependable fuel. Over the years, facilities for the use of so-called residual oil were developed and expanded. In brief, the coal industry itself set in motion a chain of events which brought about a necessary competitor. Now they would have you take that competitor from the market place, regardless of the impact it would have on the thousands of companies and persons whose heating units can only be run on residual oil.

On January 31, 1955, a representative of the bituminous coal industry testified before the House Ways and Means Committee as follows:

> * * * The increasing flood of oil displaces coal and destroys its market, causes mines to close, impairs the capital investment of the coal industry; retards domestic exploration and development of new oilfields; decreases potential traffic for American railroads; reduces opportunity for livelihood for thousands of coal mine and railroad workers; threatens the existence of thousands of small-business men; and imperils the Nation's security by building up unwise dependence on foreign oil sources.

At that time this same representative advocated:

> * * * Restrictions on the total quantity of crude petroleum and products, including residual fuel oil, which may be imported for consumption within the United States to not more than 10 percent of the annual domestic requirements.

Despite the fact that no significant restraints have been imposed on residual oil imports, the coal industry in the years following that presentation saw enormous increase in productivity. Instead of the mine fields being littered with the bodies of starving miners, the situation became quite the reverse and the mines were again full of miners with full bellies who were digging coal with all their might to meet unprecedented demands. It is true there has in recent months been a drop from this peak of productivity in the same manner as our total business economy has dropped. The point I am making is that the record for more than 29 years does not reflect that restrictions on residual oil imports are necessary for this country to maintain a healthy domestic coal industry.

The record of the prophecies of the independent producers is equally as bad, although it is admitted that at the present time our domestic crude oil-producing segment is suffering temporary pains which we believe will be alleviated by the natural course of events in the same manner as the temporary pains complained of by the coal industry in 1953 and 1954 were remedied.

The independent producers, for the past 29 years, have also been predicting doom and destruction for the domestic industry and the Nation as a whole if oil imports were not restricted. Their campaign for restrictions has been even more consistent and persistent since

1948. In the years 1948–49, a subcommittee of the House Small Business Committee held exhaustive hearings on the "Effect of Oil Imports on Independent Domestic Producers." During these hearings, representatives of the stripper well producers repeated their traditional prophecies that unless imports were restricted, they would be forced out of business and billions of barrels of oil would be wasted, since such quantities still existed to be milked from the earth in relatively small dribbles. We also heard about drilling rigs being stacked and rusting; we heard of the unemployment which was rampant in the oilfields; we heard of tax losses in the various oil-producing States because of reduced production allowables; we heard of the depleted number of geophysical and seismograph crews; we heard about the inability to obtain capital to continue with an aggressive program of exploration and development of oil and gas properties; we heard about the giant international oil companies who were flooding this Nation with oil—all of which would result in economic chaos in the producing segment of the industry and, of more significance, the drastic predictions of the impact of these conditions on our national security. The lamentations and wails of the independent producers that were committed to the record were enough to melt the hardest heart and to force the most liberal freetrader to copious tears.

Again in 1953 and 1955, when the Trade Agreements Act was before you for consideration, substantially the same groups were back, again pleading for important restrictions in order to save the Nation from economic chaos and military insecurity. Let us look for a moment at the cold, hard record between 1948 and the present. I cite no other authority than the general counsel for the Independent Petroleum Association of America, who has stated on page 1070 of the Compendium of Papers on United States Foreign Trade Policy, recently collected and published by the staff of the Subcommittee on Foreign Trade Policy, Ways and Means Committee, as follows:

> For example, during the period from 1948 to 1957, the domestic oil-producing industry found and developed more than 35 billion barrels of oil in the United States, or 50 percent more than the amount produced during that period. The capacity to produce oil in the United States was expanded from less than 6 million barrels daily in 1948 to an estimated 10,150,000 barrels daily in 1957, an increase of about 70 percent. This expansion of capacity exceeded the increase of 60 percent in consumption of oil in the United States.

In the face of dire predictions to the contrary, the producing segment of our domestic industry has this fantastic growth record for the period referred to. What other industry in the United States can point to a similar record of achievement and growth, much less one that persisted that it was in the throes of a struggle for survival? Not only did those years produce fantastic profits for the producing segment but, in addition, it provided the funds which enabled the industry to achieve new records in drilling activities every year with the exception of 1957. In addition, it also provided the funds that enabled many of the small-and middle-sized companies to venture into exploration and development of crude oil and gas properties in Canada, South America, and the Middle East.

As I reflect on the verbiage which has been expended on this issue over the years, there comes to mind a portion of a statement made to the Ways and Means Committee in May of 1953 by a small oil jobber from Pine Bluff, Ark. This jobber, who began his existence in the oil industry with borrowed money and a leased service station, had this to say:

Let's take a look at what these boys are after. The coal crowd wants to cut off residual imports because they figure that it will force some residual oil consumers to burn coal. In my opinion, the reason these people quit using coal and started using residual oil was because John L. Lewis called so many strikes and holidays they didn't know when or whether they were going to get any fuel. Now, he comes along and wants these same consumers forced to use his product after he's run them off. Apparently, the consumer, as usual, is caught in the middle.

Now we come to the crowd that I really cry over—the independent producers. It looks to me like they are eating pretty high on the hog already. The price of crude oil today is more than double what it was during the war years, whereas most of the jobbers are making the same amount of cents, and fractions thereof, per gallon gross that they were making in 1940 while our net has decreased tremendously. Now what do these boys want? They want imports on residual oil curbed so that a shortage will be created and the price pushed up some more. When the price of residual oil goes up, they will then push up the price of crude oil. When the price of crude oil goes up, every consumer of petroleum products in this country will have to foot the bill in some form or another.

* * * Of course, they want to get crude-oil imports cut off so that they can produce some more at a new higher price which will be brought about by cutting the residual oil imports.

Now mind you, these independents never do these things for themselves—it is done in the name of national defense. I have been reading their stuff for years, and if I believed everything I read I could figure that they are not in business to make money but are solely interested in the security of the United States. I think they are as patriotic as the average American businessman, but I seriously doubt there has ever been a purely patriotic oil well drilled in the history of the world. They are in business to make money just like I am, and if having a good supply of oil is to the benefit of the United States as a whole, it is a byproduct of their real objective. I don't object to them making money but I do get sick and tired of seeing people cover up their greedy desires with the American flag. I have to work hard to sell petroleum products. The independent producer is guaranteed a fair share of the crude-oil market by proration laws. The only way I can get a fair share is by hard work. On top of this proration protection they get what is known as a depletion allowance which, in my judgment, is about equivalent to a license to steal. As a matter of fact, I believe I would rather have the depletion allowance.

Now I'm not trying to be hard on these fellows, but I think it is high time that the businessmen of this country—and that includes the coal people and the independent producers—quit looking to the Federal Government for aid at somebody else's expense every time business takes a dip.

THE CURRENT SITUATION

The fact that the principal proponents of restrictions on oil imports have a bad record as prophets is not in and of itself sufficient reason to ignore their current petition for restrictions—to the contrary, we must examine the situation, giving due regard to all factors and aspects, before making permanent decisions to cure temporary ailments. It is quite true that domestic production of crue oil in this country has been cut back, a situation faced also by our good Western Hemisphere neighbors, Canada and Venezuela. It is equally true that current indications point to a definite trend toward increased domestic production.

Now what are the reasons for the current situation? There would probably be as many answers to that question as there are people attempting to give an answer. In my judgment the principal reasons are as follows:

1. The productive capacity of the domestic crude industry has been increased at such a rapid rate—as was pointed out by Mr. Russell Brown—as related to demand, that we simply have an excess of capacity, with all participants desiring to produce at maximum.

2. This situation of domestic oversupply has been in existence for some time and despite this fact we have continued to produce oil and products to a point where one of two things must happen—either crude-oil production is cut back or the price of crude oil will drastically break.

3. Natural gas—produced by the same segment—has made severe inroads into fuel-oil and coal markets.

4. The petroleum industry, like every other industry in the United States, is in the midst of a recession or business drop and as a result there is a decline in demand.

5. Imports of crude oil had become slightly excessive prior to the instigation of the voluntary quota plan, as related to the other factors mentioned above.

In brief, while crude oil imports have undoubtedly made some contribution to the current situation, they are not the prime provoking cause and have not, in our judgment, been excessive to such an extent as to warrant the necessity for mandatory restrictions. The question at issue is: Should we take the stringent measures recommended by the coal and independent oil producer groups to relieve the existing temporary situation? It is the jobbers' view that we should not. It is our belief that the domestic petroleum industry will work itself out of this situation in the same manner that it has done so for the past 30 years, and that any action to restrict oil imports would be in disregard of the historical flexibility of the domestic industry and would be born more of panic than necessity to preserve our national security.

Certainly no discussion of the present situation could ignore the actions of the President's Cabinet Committee and the Office of Defense Mobilization since 1955. It was early in 1955 when the President's Cabinet Committee made the finding that imports of crude and residual oil were excessive and should be limited to the ratios prevailing in 1954. This finding was coupled with a request that the importers adhere to this ratio. The importers did not adhere to the ratio, and subsequent studies were made with the result that the Committee found that while crude-oil imports continued to be excessive, the same did not apply to residual imports. This latter position has not been changed to this date. Later the Cabinet Committee recommended a new formula for the east coast, and subsequently another formula for the west coast, both of which called for significant reductions in crude-oil imports. The importing companies were called in and quota allocations were made for each.

Subsequently, the provisions of the Buy-American Act were applied to Government oil purchases and, in addition, the voluntary quota plan was extended to cover unfinished gasoline and other unfinished petroleum products. Thus far this so-called voluntary plan of import restrictions has on an overall basis worked well.

The jobbers have consistently been of the opinion that the action of the Cabinet Committee—I am referring now to the voluntary imports plan and the other methods taken to restrict oil imports on a so-called voluntary basis—that the action of the Cabinet Committee was born more of political expediency than necessity. If, however, the importing companies saw fit to concur in this "pistol point" plan of restrictions, that, of course, was their business. Whether the action of the Cabinet Committee and ODM was justified or not, the fact remains that imports were restricted and still are restricted—all without the necessity of legislative mandate. Unfortunately, however, this does not appear to be enough for the independent producers.

THE PROPOSED AMENDMENTS

Let us examine briefly the amendments proposed by the independent producers and the coal producers before the Ways and Means Committee, bearing in mind their allegations that these amendments are necessary to achieve two basic purposes—(1) the economic stability of the domestic industry, and (2) our national security. In their first amendment they proposed that whenever the President has determined that imports of a commodity shall not exceed specified levels, then any importing company whose imports exceed such levels shall be subject to a duty amounting to 30 percent of the value of the cargo and, in addition, shall be subject to damages and confiscation of cargo. At no place in this amendment was any regard given for foreign source of origin of the imported oil on a basis that would be advantageous to our Nation from the standpoint of economics and availability of supply in the event of national emergency. The amendment suggested no provisions that would give preferential consideration for imports from such countries as Canada and Venezuela—two of our best cash customers—the countries whose oil we would need the most in time of national emergency. How could such an amendment be placed in a trade law, designed to promote trade reciprocity, without being inconsistent even with the basic purpose of the law itself? This amendment is inconsistent even with the policies of the independent oil producers, who have time and time again indicated that preferential consideration should be given to crude oil imported from Western Hemisphere sources.

Their second proposed amendment would limit imports of crude oil and petroleum products, respectively, to the ratios obtaining in 1954. This is premised on the conclusive presumption that imports in excess of these ratios automatically endanger national security. Even the President's Cabinet Committee, on whose determinations the proponents rely so heavily, has already determined that this relationship is no longer applicable to both crude oil and residual oil. Neither does this amendment permit preferential consideration for oil imports from those sources best suited for national defense, nor does it give any consideration to economic impacts. In brief, neither of these amendments provides any means for escalation or changes that would be necessary to achieve the desired ends—economic stability and national security.

CONCLUSION

It is the jobbers' firm belief that the current situation of oversupply in the domestic market place will ultimately right itself without the necessity of either Executive or legislative mandate. These same jobbers are more familiar with depressed markets and stiff competition than the independent producer has ever known or will ever know.

For more than 2 years jobbers have been faced and plagued with gasoline price wars, loss of business to their major company competitors, a rapidly diminishing percentage of petroleum product markets, and all of the other problems that beset a marketer when supply exceeds demand. The jobber has no proration laws to assist him in getting his share of such markets as are available. He has no depletion allowance or intangible drilling cost allowance to partially compensate him for his losses due to selection of bad service station sites. Despite these differences in the position of the jobber and the independent producer, the jobbing segment, which I represent, has the distinction of being the only group within the petroleum industry that has never come to this Congress asking for laws which stifle their competition or give them preferential consideration over anyone else within the industry. Surely if these small jobbers can stand up in the toughest competitive arena known to American industry, the independent producer with all the tax benefits and preferential laws that work in his favor could be willing to take a few jolts without running to the Congress every time crude production takes a drop.

It is that same producer who on the one hand wants freedom from Federal control of his gas production—a position with which oil jobbers unanimously concur—but who on the other hand solicits Federal control of his crude-oil competitor. Is this not rather inconsistent? The only thing more inconsistent that I can conceive of would be for this Congress to pass a so-called Trade Agreements Act which contains emasculating provisions that would defeat the very purpose of the act. If we are to have a program of trade reciprocity, then let's have it, and carry it out on a businesslike basis, giving preferential consideration to those who give us preferential consideration.

If we are going to have a Trade Agreements Act in name only, I suggest it would be better to have no act at all. For us to pass a Trade Agreements Extension Act containing provisions which are inconsistent with the very purposes of the act would, in my judgment, leave our great Nation subject to the very valid charge that "the voice is Jacob's voice, but the hands are the hands of Esau."

Senator FREAR. Questions, Senator Bennett?

Senator BENNETT. I have just one comment, Mr. Chairman.

The statement on page 8 that the lamentations and wails of the independent producers were enough to melt the hardest heart and force the most liberal free traders to copious tears apparently is not completely accurate, because the witness' heart has not been melted, and we see no tears.

Mr. ELLIS. I am not the most liberal freetrader.

Senator BENNETT. So that takes me out of the category I am referring to. I am an "Old Deal" Democrat, and a little bit removed from maybe some of the liberal policies on so-called free trade.

But I think in this particular instance, we have a situation where for 29 years we have been listening to a bunch of false prophecies that have never proven to be correct. We have seen an industry grow healthy, wealthy, and strong.

And how, under those circumstances, those people are entitled to bellyache and want protection is a little bit beyond me.

Senator FREAR. Thank you, sir.

Mr. ELLIS. Yes, sir.

Senator FREAR. Mr. B. Orchard Lisle, the Oil Forum, Inc.

STATEMENT OF B. ORCHARD LISLE, PRESIDENT, THE OIL FORUM, INC.

Mr. LISLE. Mr. Chairman and gentlemen, my name is Brian Orchard Lisle, and I am president and principal stockholder of a small, family-owned enterprise known as the Oil Forum, Inc. Our sole business is the publication of a monthly petroleum periodical and some oil maps.

No member of my family, nor myself, own, or have owned in recent decades, shares of stock in any other international enterprise. This testimony, therefore, is presented in my capacity of a private citizen who views the country's economy in general—and the petroleum industry in particular—from a tower of observation taking in most scenes visible this side of the horizon.

During the past 11 years we have published many discussions in our magazine—the viewpoints of anti-import groups, the opposite convictions of importers, and independent expressions of public interest in terms of supply, prices, and national defense. In fact, on quite a number of occasions we have had the privilege of giving audience through our pages to the thinking of two persons not present—the honorable Senator from Nevada and, also, if memory serves me correctly, the remarks of the distinguished gentleman from Oklahoma, who has some modest connection with our industry.

Thus, in my capacity of publisher, enhanced by experience as an economic research analyst in Federal service, it has been possible for me to keep a relatively open mind concerning the ramified problems of an outstanding example of free industrial enterprise.

This appearance, my first before any United States legislative or governmental body, is morally incumbent on me because so much distored data has been presented at these congressional hearings. I believe such to be misunderstandings of the true situation by well-meaning persons whose thinking, unfortunately, is subjective rather than objective in nature.

My own testimony originally had been drafted directly in relation to the commodity group produced by the industry I serve. In compliance with the desires of this committee, however, this oral statement is limited to general aspects of the trade program as proposed in the House-passed bill.

Because the previously prepared material, introducing for the first time the results of some original and enlightening research into oil industry economics, has pertinence to points which soon will be argued on the Senate floor, I trust you will agree to my citing its nine main points and to its inclusion entirely into the written record.

Senator FREAR. What are you asking to be included?

Mr. LISLE. What would be the seventh page here, what would be my supplementary statement, the nine points which are single-spaced in the supplementary statement.

Senator FREAR. Without objection, it will be included.

Mr. LISLE. The nine points are:

1. The decline in oil well drilling activity, about which you have heard so much, is an economic reality that began not recently but 20 years ago, before imports became a significant factor. Thus, which United States drilling is at its lowest ratio to producers' gross income

in over 2 decades, the curve has formed a vertical plateau for the past 10 years.

2. By any economic yardstick—barrels per producing well, barrels per hole drilled, or barrels per foot drilled—the United States discovery trends show that less new oil can be found for any intensity of drilling effort.

3. The law of diminishing returns cannot be repealed, and we are faced by the fact that the United States has for ages met 65 percent of the world's petroleum requirements from about 15 percent of the world's proven reserves. This cannot be continued. Meanwhile, historic and current levels of oil imports have not been detrimental to the search for and discovery of new domestic oil reserves—but the incentives for such capital risk are reduced.

4. The effect of oil imports on the parlous condition of many domestic producers has been overstated. Their outcry, their panic, has been induced by fear and injury that might be, rather than significant loss of business. What actually has happened is that their percentage share of a growing hydrocarbon energy market has been reduced. Their volumetric sales are not adversely affected, and their actual gross income is rising. Since their costs are rising even more rapidly, however, they seek by all means to ease the pressure of this economic vise in which they are gripped.

5. The constant stress on the dramatic reductions in allowable production days in Texas has not been conducive to clear understanding of the picture in that State. United States Bureau of Mines statistics on overall oil output in Texas over the past half-dozen years—during which, as you were shown, the allowables themselves have been reduced—record a continued maintenance of actual levels of production up to recent months. In fact, last year's production was the second highest in the history of the State's petroleum industry.

6. The charge that voluntary controls of oil imports have failed is wholly unfounded.

7. The rate of expansion of the domestic oil producing business has slackened not solely due to imports, as has been alleged; rather it results from the overall business recession which has reduced the demand for all fuels below expectations, and primarily due to impact of competitive fuels from domestic sources.

8. If all oil imports were totally excluded from the United States—and had been excluded from the very beginning when the IPAA opposed them 30 years ago—the resultant additions to the sale of domestic crude would not have been sufficient to alter the fact that today petroleum is losing ground to other fuels—as coal did, before it. Oil's chief competition is from natural gas and gas liquids. Tomorrow, nuclear power may prove a significant factor.

9. The domestic petroleum industry's need is new incentives to encourage it in the economic race, not crutches in the form of imports controls that in the long run will slow it down.

The high-powered drive to restrict our international trade by erection of protective tariff barriers and quotas is engined and supercharged by domestic producers of all sorts of commodities who endeavor to promote their short-term, special interests against the long-term national interest.

Anybody wading through the 2,935 pages of the House Ways and Means Committee hearings on this subject cannot help but be depressed by the ridiculous lengths to which some self-centered minority groups have gone to fabricate a wobbly halo of being a "necessity for national security" threatened with destruction by imports in their respective lines.

Behind the anti-imports drive almost invariably is an understandable reaction against competition, especially in these times of economic readjustment; an age-old need to find a scapegoat, rather than to probe for the root of one's own problems; and a human impulse to protect prices and profits. But it is imperative we should defeat such shortsighted efforts.

I do not mean that we must have a condition of anarchy in our international trade, with no governmental restraints. I am aware that there must be a measure of protection for some industries, so long as this is in the long-term national interest.

At the same time, increasing imports provide competition that can stimulate improvement of our domestic industries, which also is in the national interest. Our antitrust laws were created with a view to insuring maximum competition. Our tariff laws, by the same token, should have a parallel effect. They should help competition to stimulate domestic industries.

American industrialists in general have successfully withstood the impact of foreign competition, subject to reasonable safeguards, in all major fields. As long as our economy remains dynamic, they will continue to do so. Our technology, our methods of production, are such as to give us actual and potential advantages which ought not to be adversely affected by foreign competition.

Some protection can be given to the import-competing industries that does not conflict with the national interest. But this should not halt the growth of imports, or save domestic commodities from foreign competition, because Congress has established the principle that competition is in the national interest.

Such protection as domestic industries are entitled should be no more that a breakwater that guards against a sudden and dangerous tidal surge in imports that does not allow sufficient time to adjust to the new competitive circumstances.

A fine example of such a guaranty of gradualism is the highly successful voluntary oil-imports-control program administered by Captain Carson under the direction of a special Presidential Cabinet Committee.

Since 1934, our President has been given, through democratic processes, the right to negotiate reciprocal trade agreements. Congress, as is right, always has retained the power to impose legislative limitations. But this is no time to revoke these agreements, to become less liberal.

It would be unfortunate if Congress should enact a bill basically changing that which has been in effect for the past 23 years. Our national security as well as our domestic economy demand that we should not fall into the error of using the present recession to impose crippling amendments to the act.

Furthermore, this great Nation of ours has carried the flag of free trade to all points of the compass. Every schoolchild knows—or did in my day—that historically we have gone so far as to force other nations at the point of a gun to open their trade barriers to us; as was the case when Admiral Perry persuaded the isolationist Japanese.

It ill-behooves us now to add fresh import-restricting devices and flexible escape clauses to our reciprocal trade agreements. Apart from a matter of bad grace, a high-tariff protectionist policy now, in the face of the Soviet economic offensive, not to mention the European Common Market and like developments, would destroy a million or more jobs in this country within the next 5 years.

This committee no doubt is aware that some 4½ million of our work force depend upon exports for their livelihood. Badly conceived foreign-trade policy can do irrevocable harm to this aspect of our economy, and add greatly to unemployment.

In fact, during this period of economic readjustment there are quite a substantial number of firms who have indicated that the growth of their export sales has compensated in whole or in part for the reduction in domestic demand. But we cannot have exports unless we import, because it is only by America buying abroad that foreign nations can earn the dollars to pay us for their needs.

I might interject at this point that there are those who allege that some of the countries overseas into which flow many millions of dollars do not buy much from America. That is quibbling, because all dollars that leave this country come back to us in trade, even though they may pass through the hands of several other countries en route.

At times it may be to the advantage of one foreign nation to release some of its dollars to a second country abroad, by virtue of a special trade deal; but that second country spends its dollars here. Proof of this fact is evident from our governmental trade statistics. In 1957 our exports exceeded our imports by about $8 billion. We spent $12 billion, and got paid $20 billion—not an inconsequential figure to swell American payrolls.

Not only is the United States the world's largest exporter, but the potential in growth for our export trade is fantastic, if only we don't choke off the dollar-earning competition of imports. And, although we have been generously endowed with natural resources, there are many which we have in inadequate supply to meet all our present or foreseeable needs of the future. We must be prepared to import them in growing quantities.

I have endeavored to bring out in these remarks that the international aspect of our Reciprocal Trade Act cannot be divorced from the domestic economic factors. I believe it is equally true that the international implications of its continuation are tremendously important politically, because the policies of nations are so greatly influenced by economics.

Here we are, faced with the political competition of the Soviet colonial empire—the greatest threat to the Western World since the Golden Horde streamed out from the steppes of central Asia to shake the very portals of Europe.

That spirit of ruthless conquest survives today, but now it is cloaked in the guise of friendly commerce. Soviet missions roam around the world, not giving away billions, as does Uncle Sam, but offering trade.

Self-respecting people prefer to earn their way in this world, and that is true of nations. When they are forced by circumstances to accept charity—and some nations have refused our offers—their pride suffers; resentment and envy tend to destroy their regard for the giver. The wily Soviets give little, promise much—but, above all, they offer trade. This has tremendous appeal.

Many of our friends seek trade where they can, because they depend upon trade for their very existence. The Soviet colonial empire opens its import doors invitingly to these nations.

If our doors are closed, or begrudgingly parted a mere slit, this trade will flow to the East. Therefore, as our direct aid is reduced, the slack needs to be taken up by increased trade.

To summarize, in our general self-interest and in the broad field of national policy, it is important that the Members of the Senate should decide in favor of a liberal trade policy, providing for—

Vital raw materials for our factories;
Lower cost of living for our consumers;
Markets for our exporters—machinery and farm products;
Strength for our free-world allies; and
Hope for the uncommitted nations of the world.

Khrushchev has openly challenged this country to an economic battle to the death, saying he will bury us, and he rather expects us to dig our own grave, too. It is time we seize the initiative, and turn to victory his prediction of our defeat.

To do this we must make ourselves worthy of world leadership. To pander to the short-term special interest of our minority groups against the national interest, and against the needs of other nations of the free world, is to head down a road leading to disunity and eventual defeat.

An extension of our Reciprocal Trade Act for at least 5 years not only would morally and economically strengthen our natural allies, but also would favorably influence the attitudes of many so-called neutralist countries. Such evidence of a cooperative and helpful attitude on the part of the United States is greatly needed to help us win the cold war.

Gentlemen, your consideration of this statement and supporting evidence is warmly appreciated. I only regret the departure of Mr. Long and Mr. Flanders, because I was hoping for some spirited debate.

Senator BENNETT. While you are regretting, you had better regret also the absence of the Senator from Nevada. He could have a lot of fun with your statement.

Mr. LISLE. I am sure of it. We have had some correspondence, sir.

Senator BENNETT. I have no questions or comments, Mr. Chairman.

Senator FREAR. Thank you, Mr. Lisle.

(Mr. Lisle's supplemental statement follows:)

SUPPLEMENTARY STATEMENT OF BRIAN ORCHARD LISLE, PRESIDENT OF THE OIL FORUM, INC.

Professional viewers with alarm have sold the domestic oil operators on imports being the cause of all their troubles. For 30 years they have tried in vain to convince successive Congresses of the "urgent need" for imposing controls on imports of foreign oil. They have failed, because the record proved no such need. Currently they are trying to persuade this committee it is necessary to impose mandatory legislative limitations on petroleum imports—through quotas, tariffs, or both.

They base their arguments on three main premises: (1) Volume of imports injures the domestic producer; (2) voluntary controls have failed; (3) the domestic producer is threatened with ruin. As I see it, none of these allegations is true. The domestic producer is having a tough time of it, but the cause comes from internal economics and United States Government statistics will prove this contention. My testimony to this committee will show that continued importation of petroleum at flexible levels is essential to our economic welfare and to our national defense. Supporting evidence will not be in terms of transitory fluctuations but in long-term trends, so that the matter may be viewed in its proper perspective. I shall make the following points:

1. The decline in oil well drilling activity, about which you have heard so much, is an economic reality that began not recently but 20 years ago, before imports became a significant factor. Thus, which United States drilling is at its lowest ratio to producers' gross income in over two decades, the curve has formed a vertical plateau for the past 10 years.

2. By any economic yardstick—barrels per producing well, barrels per hole drilled, or barrels per foot drilled—the United States discovery trend shows that less new oil can be found for any intensity of drilling effort.

3. The law of diminishing returns cannot be repealed, and we are faced by the fact the United States has for ages met 65 percent of the world's petroleum requirements from about 15 percent of the world's proven reserves. This cannot be continued. Meanwhile, historic and current levels of oil imports have not been detrimental to the search for and discovery of new domestic oil reserves—but the incentives for such capital risk are reduced.

4. The effect of oil imports on the parlous condition of many domestic producers has been overstated. Their outcry, their panic, has been induced by fear of injury that might be, rather than significant loss of business. What actually has happened is that their percentage share of a growing hydrocarbon energy market has been reduced. Their volumetric sales are not adversely affected, and their actual gross income is rising. Since their costs are rising even more rapidly, however, they seek by all means to ease the pressure of this economic vise in which they are gripped.

5. The constant stress on the dramatic reductions in "allowable production days" in Texas has not been conducive to clear understanding of the picture in that State. United States Bureau of Mines statistics on overall oil output in Texas over the past half-dozen years—during which, as you were shown, the allowables themselves have been reduced—record a continued maintenance of actual levels of production up to recent months. In fact, last year's production was the second highest in the history of the State's petroleum industry.

6. The charge that voluntary controls of oil imports have failed is wholly unfounded.

7. The rate of expansion of the domestic oil-producing business has slackened not solely due to imports, as has been alleged; rather, it results from the overall business recession which has reduced the demand for all fuels below expectations, and primarily due to impact of competitive fuels from domestic sources.

8. If all oil imports were totally excluded from the United States—and had been excluded from the very beginning when the IPAA opposed them 30 years ago—the resultant additions to the sale of domestic crude would not have been sufficient to alter the fact that today petroleum is losing ground to other fuels (as coal did, before it). Oil's chief competition is from natural gas and gas liquids. Tomorrow, nuclear power may prove a significant factor.

9. The domestic petroleum industry's need is new incentives to encourage it in the economic race, not crutches in the form of imports controls that in the long run will slow it down.

THE MODEST DECLINE IN DOMESTIC DRILLING, AND ITS CAUSES

It is unfortunate that a few single-minded people have been encouraged to broadcast their condemnation of imports as being solely to blame for today's problems of the United States oil producer. In so doing in seeking to sacrifice this scapegoat they turn their eyes away from the real underlying factors in the producers' dilemma. If these factors are only recognized, remedial action might be possible—but curtailment or even complete cessation of oil imports will no more eliminate their handicaps than were the sins of our Biblical forbears washed away by the blood of sacrificial goats.

The domestic producers real problems lie in the narrowing margins between revenues and costs, resulting in part from general inflation of the price of equipment, materials and services, as well as rising wage levels; in part by the invasion of oil markets by domestic natural gas and gas liquids;[1] and mostly because of the steady decline of the physical returns on his investment of time, money and discovery genius. Fortunately, the poorer rate of oil discovery has been mitigated by improved value of the accompanying natural gas products.

Vast strides have been made in the technique of oil discovery, but with every oilfield found by the drill there is one less remaining to be found. Statistics covering the past decade, especially, make it quite clear the law of diminishing returns is fast enforcing its mandate. The opening up of the promising potential of the offshore Continental Shelf submarine lands for prospecting a number of years ago can slow down but not halt this trend.

Here, if you will, is a most serious problem. It is a disenheartening thought to realize that whereas each foot of hole drilled 10 years ago added 31.2 barrels of oil to our reserves, today the returns per foot amount to only 11 barrels, or about one-third as much. Our discovery rate per hole drilled is not quite so bad, although it still makes poor showing at somewhat better than 45,000 barrels of new reserves per hole drilled last year, compared with more than double that figure, at 108,000 barrels, in 1948. Similarly, taking only into consideration the successful oil wells, 10 years ago the average producer provided us with over 192,000 barrels of new reserves, but in 1957 the average discovery was equivalent to substantially less than 89,000 barrels. It is self-evident that these adverse factors are pyramiding—drilling costs and overheads have gone up, wells have to be drilled deeper, and the returns on investment are diminishing.

Crude oil reserves developed in the United States in relationship to drilling effort

Year	Gross additions to crude oil reserves [1] (thousand barrels)	Feet of hole drilled (thousands)	Barrels of oil discovered, per foot	Number of holes drilled [2]	Barrels of oil discovered, per hole	Number of producing wells drilled	Barrels of oil discovered, per producing well
1948	4,265,764	136,709	31.2	39,477	108,057	22,197	192,177
1949	3,574,621	138,617	25.8	38,962	91,746	21,415	166,921
1950	2,562,685	150,762	16.0	43,307	59,175	23,775	107,789
1951	4,413,954	176,757	25.0	45,996	95,964	23,532	187,572
1952	2,749,288	188,393	14.6	46,509	59,113	23,371	117,637
1953	3,296,130	198,432	16.6	49,480	66,615	25,251	130,535
1954	2,873,037	211,296	13.6	52,197	55,042	28,063	102,378
1955	2,870,724	228,530	12.6	55,879	51,374	30,474	94,202
1956	2,974,800	235,386	12.6	58,418	50,915	30,641	97,070
1957	2,424,800	219,404	11.0	53,350	45,451	27,364	88,613

[1] Additions to reserves resulting from discovery of new oilfields, new pools in old fields, extensions of known fields, and revisions of previous estimates. Data compiled under the auspices of the American Petroleum Institute.

[2] Includes oil wells, gas wells, distillate wells, water-flood wells, other service wells, and all dry holes.

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[1] With which I dealt in great detail in a letter reproduced in the record of the recent House Ways and Means Committee hearings on this bill, and which is herewith summarized by exhibits V through VII.

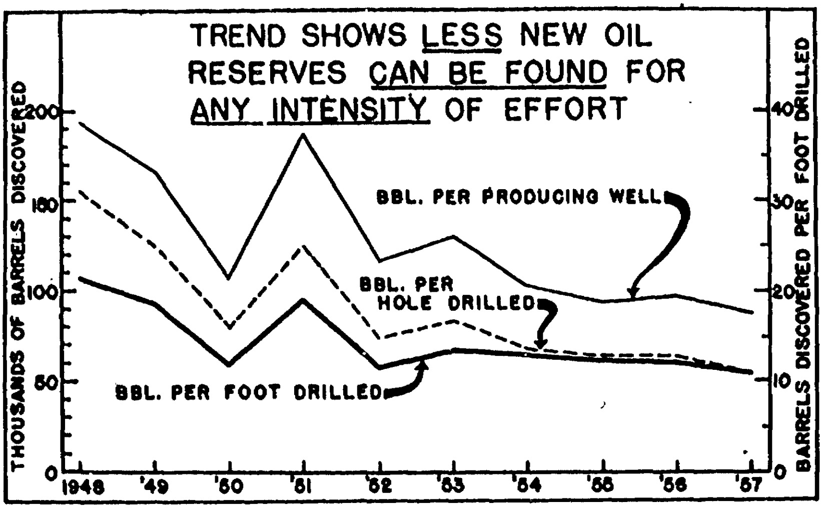


EXHIBIT I

It has been alleged by spokesmen for the domestic producers that rising levels of oil imports are the direct cause of current drilling effort being at a lower level than they have been for several years. There may have been some psychological influence along such lines, but the poor discovery rate has been the primary factor—not imports. Some 50 congressional investigations in the past 30 years have absolved oil imports from having any harmful effect on our domestic industry, and it is only this past 18 months that the Government has considered it desirable to put so much as a restraining hand on the importers. Yet, analysis of the record shows that domestic producers' enthusiasm for reinvesting in new wells actually went on the skids over 20 years ago, and leveled off on a plateau for the past decade.

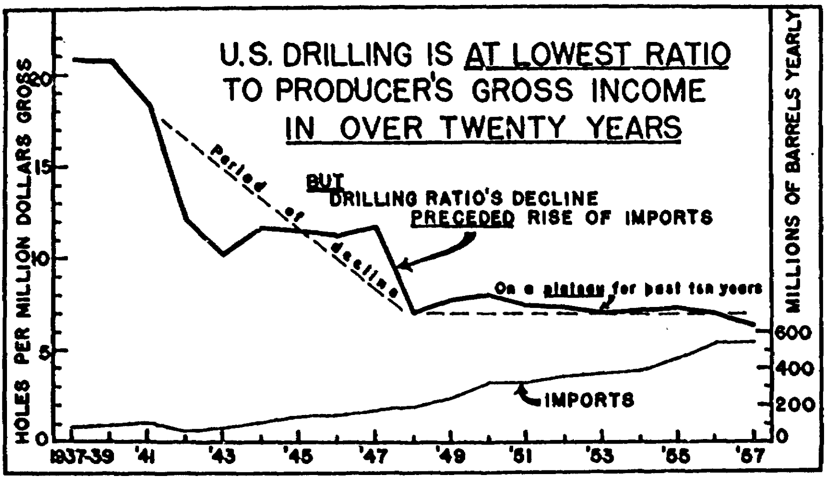


EXHIBIT II

Domestic producers have charged that imports are reducing their income, so they no longer can afford to drill more wells. This does not jibe with the fact that United States drilling is at its lowest ratio to producers gross income of any time since 1937, and its precipitate descent to this 10-year plateau preceded the significant rise in imports. Therefore, imports cannot be held economically responsible for the reduced drilling rate in this country. The previously mentioned aspect of poorer returns on investment is more logically a primary factor.

The decline actually has been short-lived, and is one of those temporary dips which inevitably occurs in any phase of the economy of a nation. Comparable or greater dips have occurred in other peacetime years—in 1938 and 1939, for example, and in 1949—and have been followed by climbs to new peak levels. This is history repeating itself, for when the number of wells drilled and the growth in United States reserves are charted against imports over the past 33 years (exhibit III), it is self-evident that rising imports have not adversely affected these growth curves.

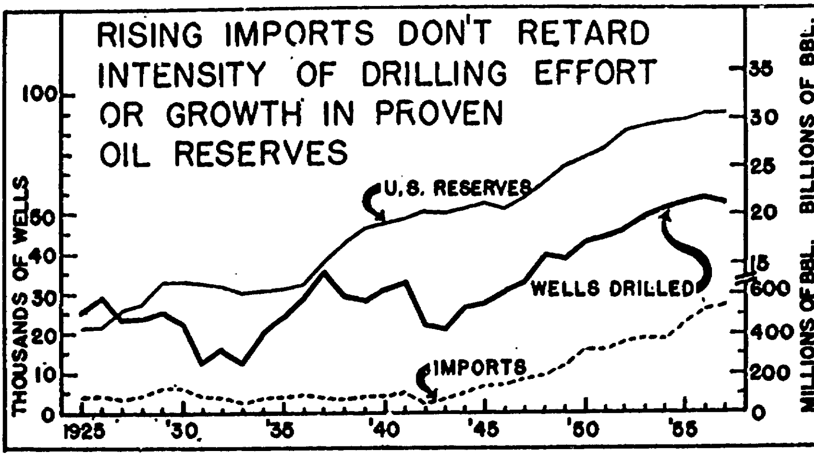


Exhibit III

The reduced incentive to invest the larger sums now necessary for domestic oil exploration, due to poorer returns on such investment, is a primary factor for such decline in our drilling rates as has taken place. Wipe out imports entirely, and you still are faced by the law of diminishing returns from drilling within our borders. I might go so far as to say that the rising trend of imports has been the result of diminishing intensity of domestic oil operations, rather than the other way around as has been alleged.

WHERE THEIR INCOME HAS BEEN GOING

The fact that domestic drillers are drilling fewer wells per million dollars of income should not be mistaken for an indication of excessive profits being made on their crude oil sales. In the first place, I specified gross income and I previously have made the point that their wells are costing them much more today than they did in the past, as well as other higher costs of operation. In the second place, many of them are spending just as much as ever on exploration—perhaps even more—but it is not all spent in the United States. Even some of the most vocal of the anti-imports group are hedging their bets by undertaking costly exploration programs in foreign lands. This is as it should be. In fact, we have urged them to do so for the past 11 years, for the United States cannot long continue to supply more than 60 percent of the world's petroleum requirements from only 15 percent of the world's proven reserves.

It has been our conviction that if they make good profits abroad, they can afford to take bigger investment risks at home than otherwise would be the case. We have argued against their opposition to the importers, "You can't beat 'em, so join 'em." For a long time they closed their ears to the gospel, but today they are getting religion on a gratifying scale. It is the initial successes of a number of these independents who have gone abroad and has served to swell the ranks of the importers whom their fellow independents oppose in traditional fashion - until they, too, have foreign oil to import.

Two or three years ago there were hardly more than 2 dozen independent United States oil producers operating outside the North American Continent. Today the picture is far different. Some 9 months ago we compiled and published a list of 223 independent American oil operators engaged in exploration and development programs in 51 countries outside the United States (exhibit IV, Trends survey, "How the Rapid Spread of Independents Into Foreign Operations Affects the Global Oil Industry --And Who Are the New International Operators"). Already this number has grown well past the 250 mark, and there is no letup in sight.

This sudden enthusiasm for overseas operations has stemmed directly from the poor discovery potential in the United States. As yet there is no survey as to just how much these companies are spending abroad- but, I assure you, foreign operations are far more costly than domestic. But, since the risks are far less in virgin and semiproven territory than in our lands that have been worked over and over again, these operators have concluded that they stand to get a much better return on their risk-capital abroad than they will if they restrict themselves to prospecting at home in depleted areas. As stated before, profitable foreign operations will enable them to do more at home, paradoxical as it may seem.

This thought is a sound one, and there is a measure of proof that it works out. Traditionally most of our drilling has been done by the independent producer—and most of the production, too. But the major companies have been assuming an increased burden in this regard. They are doing most of the geophysical exploration in this country today—and by major companies, I mean the principal importers. As is traditional, a large part of their exploration acreage they farm out to independents for prospecting with the drill, but even so their own share of the drilling activity is rising. According to an esteemed contemporary,[2] the 22 largest producing companies (15 of which are important importers) drilled 11,709 wells in 1955, or 21 percent of the total that year, were credited with 21.7 percent of the 1956 holes, and last year they accounted for 12,028 wells, or 22.5 percent of the Nation's total. So much for the argument that growing imports result in the importers drilling fewer wells in the United States. Instead, their economies with imported oil to supplement their domestic sources has enabled them to do a better job at home.

So it should prove to be with regard to the two hundred-fifty-odd independent domestic producers who now have branched out into the field of foreign operations.

Not only is the development of United States-operated petroleum resources abroad good business, but it is a sound step for the United States national economy. Our resources have been depleted at a pace that could not, and should not, be maintained. Something must be kept by for abnormal conditions, such as when hostilities or political factors might cut off some other sources of supply.

You have, of course, been told with great intensity of conviction that "There is no defense in foreign oil," and how so many tankers carrying oil were sunk off our shores during World War II. Perhaps you were not told, however, that most of those oil-carrying ships were not bound for the United States—they were carrying oil to our fighting forces overseas. Yes, the traffic was in the other direction! Nine out of every ten tons of supplies sent to our Armed Forces in Europe during the war comprised petroleum products. With the stupendous consumption of jet aircraft, this ratio may be worse in the event of World War III—which nobody but a defeatist would expect to fight on our own shores.

Fleet Adm. Chester W. Nimitz said that World War II was won with "bullets, beans, and oil." Who would deny that this will be even truer of the next war? In this connection, we observed in an editorial commentary in the February issue of our journal that—

"Defense of our shores is now extended to a widespread perimeter which will require enormous oil resources to maintain, all of which must be moved by tanker. The slogan 'there is no defense in foreign oil,' based on the vulnerability of tankers bringing oil to our shores in time of war, loses its validity when it is realized that oil will have to be shipped by tanker in any event to maintain our foreign military bases. Whether the tanker is headed north, south, east or

[2] World Oil.

west, whether to this country or from this country, it is still liable to attack from the enemy. This fact makes it all the more important that our foreign oil interests are maintained in good shape, for in many cases they will be closer to the scene of operations, shortening the tanker haul, and so decreasing their vulnerability."

And we referred to the already imposed voluntary imports curbs sacrificing the national interest and the wider interests of defense and our responsibilities to NATO, to the sectional interest of the domestic oil producer.

Far more highly trained logistical minds than our own believe this same thing, for shortly we received a letter from Admiral Nimitz saying:

"I have read your editorial, and agree with your thesis that it is highly important to our national defense and security that our allies abroad and neutrals—who, if not on our side, are, at least, not against us—maintain a healthy petroleum industry. Oil purchases from abroad which will accomplish this objective are fully justified."

It is my sincere belief that your committee's conclusion, after reviewing all the facts and evidence presented to it during these hearings, will be that imposition of legislative controls on oil imports, by quota or tariff, not only is unnecessary but would be a potential threat to our national welfare.

The petroleum industry has been bred on free enterprise. Federal control of imports with a view to affecting the development of the producing industry could backfire. A bureaucratic organization resulting therefrom could end by dictating terms to the entire industry, including the domestic producer. Continued recognition of the dictates of the market place is the soundest approach. The oil business has proven its resiliency, and its ability to absorb current levels of imports without harm to domestic enterprise. The addition of restrictions on oil imports beyond those already imposed under the voluntary system currently in effect would deal a severe blow to the United States economy and to our rich international trade.

Factors of national defense, too, indicate the importance of maintaining of freedom of imports. Our defense rests not solely upon the healthy domestic oil industry we enjoy, despite its handicaps, but also upon the retention of our strong hold on overseas petroleum supplies at a growing number of strategic points abroad where they will be most needed in the event of a global conflict.

Relative market position of oil and natural gas showing percentage relationships of oil and gas demand, crude production, and imports

Petroleum demand volumes	1935	1940	1945	1950	1955	1956	1957 [1]
Natural gas marketed:							
Annual production (billions cubic feet)	1,917	2,660	3,919	6,282	9,406	10,082	10,750
Oil equivalent (million barrels) [2]	319	443	653	1,047	1,567	1,680	1,791
Daily average (thousand barrels)	874	1,210	1,789	2,868	4,293	4,590	4,906
Natural gas liquids (thousand barrels per day)	100	152	315	499	773	925	940
Total gas and liquids (thousand barrels per day)	974	1,362	2,104	3,367	5,066	5,515	5,846
Distillate and residual fuel oils (thousand barrels per day)	1,084	1,465	2,177	2,678	3,278	3,388	3,400
Other products of crude (thousand barrels per day)	1,864	2,364	2,866	3,635	4,776	4,873	5,004
Total demand, oil and gas (thousand barrels per day)	3,922	5,191	7,147	9,680	13,120	13,776	14,250
Crude oil production (thousand barrels per day)	2,730	3,697	4,695	5,407	6,807	7,151	7,175
Crude and products imports (thousand barrels per day)	144	229	311	850	1,248	1,426	1,525
Percentage relationships to total oil and gas demand:							
Natural gas	22.2	23.3	25.0	29.6	32.7	33.3	34.4
Natural gas liquids	2.6	2.9	4.4	5.0	5.8	6.7	6.6
Total gas and liquids	24.8	26.2	29.4	34.6	38.5	40.0	41.0
Distillate and residual fuel oils	27.6	28.2	30.4	27.6	24.9	24.6	23.8
Other products of crude	47.5	45.6	40.2	37.8	36.6	35.4	35.2
Total products of crude	75.1	73.8	70.6	65.4	61.5	60.0	59.0
Total demand, oil and gas	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Crude oil production	69.6	71.2	65.7	55.8	51.9	51.9	50.3
Imports, crude and products	3.6	4.4	4.3	8.8	9.5	10.3	10.7

[1] Preliminary estimates based upon 11 months.
[2] At 6,000 cubic feet per barrel of oil.

Source: U. S. Bureau of Mines Petroleum and Natural Gas Reports.

EXHIBIT IV

TRENDS: HOW THE RAPID SPREAD OF INDEPENDENTS INTO FOREIGN OPERATIONS AFFECTS THE GLOBAL OIL INDUSTRY—AND WHO ARE THE NEW INTERNATIONAL OPERATORS

Traditionally, the field of foreign oil operations has been considered the preserve of a relatively limited group of large international oil companies. A fairly substantial number of small concerns, both American and British, endeavored to compete in the search for and development of oil abroad—especially during the first 30 years of the century. But most of them floundered for lack of adequate capitalization to meet the exorbitant costs involved. Some became discouraged in the face of unexpected and difficult problems. Others had their properties expropriated, or just tired of trying to cope with unreasonable political and legal handicaps. They chose to return to the less spectacular but more profitable profits obtainable from development of domestic United States reserves. Even the successful few subsequently sold their holdings to the majors.

Today, however, there is an entirely unprecedented interest and activity abroad by independent American operators—and, to a lesser extent, by others from such countries as Belgium, France, Germany, Italy, and even Japan. In each instance, the stimulation has been the relatively poor discovery rates at home—and the prospect of strengthening their competitive status by discovery and development of relatively low-cost crude supplies in more prolific foreign oil lands. While the cost of overseas operations today is greater than ever, the relative risk has been reduced substantially by improved oil exploration technology. Furthermore, the investment has been made more attractive by the faster rate at which positive results are obtained with modern survey techniques and high-speed portable drilling equipment. This reduces the time factor on dead-rent payments. The economy of house-trailer camps and mobile workshops is another redeeming feature of the new era, whereas in the old days little could be salvaged from an unsuccessful venture.

This entry of new blood into the international oil fraternity is becoming recognized as a healthy trend by traditionalists as well as the more liberal-minded, although some have viewed the development with trepidation. There is little need for undue alarm on the part of the vested interests, however, because predictable growth of oil consumption indicates the future demand for petroleum will be so great as to leave plenty of scope for expansion by all.

A British Petroleum Co., Ltd., official, D. C. Ion (exploration manager of BP's Canadian subsidiary, Triad Oil Co., Ltd.), not long ago called the attention of the Institute of Petroleum in England to the important expansion of American oil interests outside of the United States, not only by majors but by many independents. He said that the activity is important because—

(1) These independents do not carry the cartel stigma by which the majors have been labeled.

(2) There will inevitably result an added awareness of the responsible role of the petroleum industry in underdeveloped nations.

(3) The necessary role of wildcatters will progressively be taken over by independents (as is the case in the United States of America) while the majors will develop their concessions.

Global oil output by producing regions

[Figures in thousand barrels per day]

	1955	1965	1975
Middle East	3,180	8,000	18,000
United States	6,560	9,000	9,000
Caribbean	2,380	3,800	4,500
Canada	340	1,000	1,300
Mexico	260	500	600
Europe	180	400	600
Africa	10	200	400
Other Western Hemisphere	160	700	1,000
Other Eastern Hemisphere	360	1,000	1,600
Natural gasoline, shale oil, and synthetic fuels	620	1,400	3,700
Total free world	14,050	26,000	40,700

Mr. Ion foresees a virtual doubling of free world demand in 1965 at 26 million barrels per day (11,400,000 barrels per day in the United States alone)—outstripping last year's optimistic forecast of Chase Manhattan Bank by 1,200,000 barrels per day. He sees demand climbing to 40,700,000 barrels per day (15 million barrels per day in the United States) by 1975.

Assuming political conditions are no less stable in the future than they have been in recent years, his forecast as to the geographical pattern that production growth is likely to follow in coming decades conforms to the general consensus of industry economists. Mr. Ion anticipates that by 1975 Middle Eastern output will reach almost 3 times the present United States rate of production, compared currently with little more than half the American level. This would require the drilling of 3,200 to 7,000 additional wells in that area during the next 20 years, at the rate of perhaps about 2 million feet of hole yearly. Second most-important area for expansion would be the Caribbean region of South America, while Canada would continue to play a part of growing significance. He anticipated United States output would level off in 1965 at a plateau of 9 million barrels per day, less than 50 percent more than current levels.

223 UNITED STATES OPERATORS NOW ACTIVE IN 51 COUNTRIES

A new worldwide survey being developed by International Oilman reveals an astoundingly active and broadened interest in overseas oil operations by a lengthening list of United States independent oilmen. Returns, which are still coming in, reveal already that some 223 independent oil operators are engaged in, or actively launching, exploration and development programs in 51 countries outside of the United States.

Latin American countries are attracting the largest following among the independents, followed by the Middle East, other North America, West Europe and the Far East. Approximately 88 percent of all independents represented in these worldwide operations are relatively small operators, while 12 percent are in the category of semimajor companies. The survey does not include the major, integrated companies.

Until a few years ago, international oil operations were confined primarily to a handful of large, integrated oil companies. Today, however, the capital risks involved in the search for oil and gas in every part of the world are eagerly being shared by the independents as well as the so-called majors. Underlying this anomaly is the growing conviction of many governments that the encouragement of private capital offers the most satisfactory means of converting untapped natural resources into tangible assets.

Revisions of petroleum laws, which previously discouraged investments of outside, private capital, are opening new international horizons that spell economic and social progress for millions of people in many parts of the world. The entry of United States independent oilmen into many other countries may perhaps be a golden key that will open many more doors to improved international relationships. Furthermore, these changing developments may bring about a more universal understanding of the fundamental principles of democracy and freedom in the pursuit of private initiative and individual enterprise.

The accompanying list of United States oil operators, and the respective countries in which they are active, is presented here to show how extensively independent oilmen are engaging in international operations. Names of far-off countries, that were legendary a few years ago, are today becoming as familiar to independent oil operators as Texas, Louisiana, and California. Prospective oil lands in the frozen wastes of Alaska, the deserts of the Middle East, or the steaming jungles of Central and South America, are identified with names of United States oil operators. United States independents are no longer strangers in the capitals of Europe, South America, the Middle East, or even in the Far East. As new concessions are offered in various countries, more and more independent oil operators are reportedly successful in obtaining such rights.

Canada has at least 62 representative United States independents, followed by Venezuela with 55, Cuba with 24, Guatemala and Panama with 18 each, Honduras and Iran with 17 each, Bolivia with 13, and Colombia and the neutral zone with 11 each. Independent oil operators are also reported active in Alaska and Mexico, and have entered 10 Central and South American countries, 22 countries of the Middle East and Africa, 4 west European countries and 3 Far Eastern areas. Quite a few small as well as large independents have extended their interests and investments to embrace several countries, some of which are widely separated geographically.

More than 65 percent of the world's oil production is presently controlled by United States oil interests, both major companies and independent operators. As the benefits of oil discovery and development are realized by a growing number of nations, there appears to be more universal approval of the American system of free enterprise and the encouragement of private capital investments. This is indeed a hopeful sign, which must ultimately improve the economic and social welfare of a growing number of the world's underprivileged people.

INDEPENDENT OIL COMPANIES

J. S. Abercrombie, Houston, Tex.—Mexico, Iran, neutral zone
Aluminum Corporation of America, Pittsburgh, Pa.—Panama
American Greek Oil Co., St. Louis, Mo.—Greece.
American Independent Oil Co., San Francisco, Calif.—Mexico, Venezuela, Iran, neutral zone
American Maracaibo Oil Co., New York, N. Y.—Canada, Colombia, Honduras, Venezuela
American Northland Oil Co., San Francisco, Calif—Canada
Americuba Corp.—Cuba
Amurex Oil Co., El Dorado, Ark.—Canada
Anchorage Oil & Gas Co., Houston, Tex.—Alaska
Mark E. Andrews, Houston, Tex.—Haiti
An-Son Petroleum Corp., Oklahoma City, Okla.—Colombia
Argus Petroleum Corp., Cody, Wyo.—Guatemala
Atlas Corp., New York, N. Y.—Dominican Republic
Bahama National Oil Co., Los Angeles, Calif.—Bahamas
Bandini Petroleum Corp., Los Angeles, Calif.—Guatemala
Barium Steel Co.—Bolivia
Barnwell Offshore, Inc., Shreveport, La.—Honduras
Barry & Reiner, Inc., Tulsa, Okla.—Bolivia
Bay Petroleum Corp., Houston, Tex.—Canada
Bear Sterns & Co., New York, N. Y.—Spain
Benedum & Trees, Pittsburgh, Pa.—Canada, Colombia, Cuba
Bishop Oil Co., San Francisco, Calif.—Canada
John H. Blaffer, Houston, Tex.—Haiti
Boger Oil Co., Houston, Tex.—Venezuela
Bolsa Chica Oil Co., Los Angeles, Calif.—Turkey
Britalta Petroleum, Ltd., New York, N. Y.—Canada
Brooks-Scanlon Oil Co.—Alaska
J. T. Buckley Estate, Houston, Tex.—Canada, Ecuador, Guatemala
D. Harold Byrd, Dallas, Tex.—Honduras
Caracas Petroleum Co., New York, N. Y.—Venezuela
Caribbean American Petroleum Corp. of Panama, Midland, Tex.—Panama
Cataract Mining Corp., New York, N. Y.—Panama
Central American Oil and Mining Co.—Guatemala
Champlin Oil & Refining Co., Fort Worth, Tex.—Canada
Ernest Cockrell, Houston, Tex.—Honduras
Colorado Oil & Gas Corp., Colorado Springs, Colo.—Alaska, Canada
Columbus Texall Co., Long Beach, Calif.—Panama, Venezuela
Commerce Corp., New York, N. Y.—Panama
Cia Petrolera del Golfo del Darien, New York, N. Y.—Panama
W. B. Cleary, Inc.—Canada
Climax Molybdenum Co., New York, N. Y.—Canada
Cole, Howard S., Houston, Tex.—Dominican Republic
Commonwealth Oil Co., Houston, Tex.—Haiti
Consolidated American Industries, Inc.—Panama
Consolidated Cuban Oil Co.—Cuba
Coro Petroleum Co.—Venezuela
Frank H. Crerie, Houston, Tex.—Puerto Rico
Crosby Oil Corp.—Canada
Cuban American Oil Co., Dallas, Tex.—Cuba
Cuban Canadian Oil Co.—Cuba
Dade Petroleum Co., Houston, Tex.—Venezuela

Ralph K. Davies, San Francisco, Calif.—Iran, Mexico, neutral zone
Deep Rock Oil Co., Chicago, Ill.—Canada, Iran, Mexico, neutral zone
DeGolyer & MacNaughton, Dallas, Tex.—Spain
Delhi-Taylor Oil Co., Dallas, Tex.—Texas—Canada, Panama
H. L. Dillon and Co., New York, N. Y.—Syria
Douglas Oil Co., Los Angeles, Calif.—Peru
W. B. Duce, Beverly Hills, Calif.—Cuba
Drilling & Exploration Co., Dallas, Tex.—Canada, Bolivia, France
El Paso Natural Gas Co., El Paso, Tex.—Venezuela
Empire Trust Co., New York, N. Y.—Canada
Esperanza Petroleum Corp., New York—Venezuela
Ralph E. Fair, Inc., San Antonio, Tex.—Egypt
Falcon Petroleum Corp., Houston, Tex.—Venezuela
Fargo Oils, Inc., Dallas, Tex.—Canada
Fay, Albert Bell, Houston, Tex.—Dominican Republic
D. D. Feldman, Dallas, Tex.—France, Turkey
Felmont Oil Corp., New York, N. Y.—Canada
E. E. Fogelson, Dallas, Tex.—Spain
Lester Foran and Lynn S. Holmes, Corpus Christi, Tex.—Honduras
Forest Oil Corp., Bradford, Pa.—Colombia, Cyprus
Franco Wyoming Oil Co., Cheyenne, Wyo.—France
Frankfort Oil Co.—Alaska
General American Oil Co., Dallas, Tex.—Canada, Spain, West Africa
Georesearch, Inc., Dallas, Tex.—Honduras
Getty Oil Co., Los Angeles, Calif.—Iran, Kuwait neutral zone, Canada
Gilliland Oil Co., Los Angeles, Calif.—Peru, Turkey
Globe Oil & Gas Corp., Owensboro, Ky.—Mexico
Globe Oil & Refining Co., Wichita, Kans.—Canada, Mexico, Iran
Haddock Oil Co., Los Angeles, Calif.—Venezuela
Hancock Oil Company of California, Long Beach, Calif.—Bolivia, Venezuela, Iran, Kuwait neutral zone.
Havenstrite Oil Co., Los Angeles, Calif.—Alaska
Heathman-Seeligson Drilling Co., Wichita, Kans. (Molasse Oil Explorations)—France
Lynn S. Holmes, Corpus Christi, Tex.—Honduras
Honolulu Oil Corp., San Francisco, Calif.—Canada
Hudson Oil & Gas Co., Shreveport, La.—Cuba
Hunt International Petroleum, Dallas, Tex.—Pakistan
Nelson Bunker Hunt, Dallas, Tex.—Libya
Husky Oil Co., Cody, Wyo.—Canada, Guatemala, Israel, Turkey
Harvey H. Hutchins, Jackson, Miss.—Jordan
Hydroil of Houston, Houston, Tex.—Panama
Illinois-Wyoming Oil Co., Chicago, Ill.—Canada
Independent Exploration Co., Los Angeles, Calif.—Mexico
Inisklu Unit Operators—Canada
International Oil & Metals Corp., San Francisco, Calif.—Panama
International Oil & Minerals Corp., Seattle, Wash.—Panama
International Products Corp., New York, N. Y.—Bolivia
Israel-Mediterranean Petroleum—Canada, Ecuador, Guatemala, Israel
Story Jones, Houston, Tex.—Guatemala
Jupiter Oils, Ltd., New York, N. Y.—Canada
Justiss-Mears Oil Co., Dallas, Tex.—Honduras
Keljikan Commercial Corp., New York, N. Y.—Bolivia
Kerr-McGee Oil Industries, Inc., Oklahoma City, Okla.—Cuba, Panama
Kewanee Oil Co., Philadelphia, Pa.—Cuba
Kimberley Oil Exploration Syndicate, Philadelphia, Pa.—Australia
King-Mill Oil Co.—Venezuela
Kirby Production Co., Houston, Tex.—Canada, Venezuela
Kirkwood Drilling Co., Dallas, Tex.—Haiti
Lapidoth-Israel Petroleum Co., Ltd., New York, N. Y.—Israel
Lario Oil & Gas Co., Wichita, Kans.—Mexico, Iran, Neutral Zone
Lee Oil Co., Tulsa, Okla.—Cuba
Lehman Corp., New York, N. Y.—Canada
Lion Oil Co., El Dorado, Ark.—Venezuela, Sicily, Spain

Los Nietos Co., Los Angeles, Calif.—Canada
MacMillan Petroleum Co., Los Angeles, Calif.—Sicily
Maracaibo Oil Exploration Co., Dallas, Tex.—Venezuela
Marmora Petroleum Corp., Cody, Wyo.—Turkey
Maris Oil Co., Bartlesville, Okla.—Surinam
C. H. Maury—Venezuela
Mayflower Properties, Inc., (Societe De Forage Mayflower Texas Pour Le Maroc)—Morocco
McBride Oil & Gas Corp., San Antonio, Tex.—British Guiana
McCarty & Coleman, Wichita Falls, Tex.—Canada
David C. McCord, Dallas, Tex.—Honduras
McDermott, J. Ray & Co., Houston, Tex.—Nicaragua
McRae Oil & Gas Corp., Denver, Colo.—Honduras
John W. Mecom, Houston, Tex.—Colombia, Haiti, Honduras
J. W. Menhall, Menhall Exploration Co., Benton, Ill.—Syria
Middle Petroleum Co., Houston, Tex.—Israel
Mountain Valley Oil Corp., Denver, Colo.—Cuba
Murmac Oil Co., Dallas, Tex.—Venezuela
Murphy Corp.—Venezuela
Nadel and Gussman, Tulsa, Okla.—Israel
National Petroleum Corporation of Cuba—Cuba
Newmont Mining Corp., New York, N. Y.—Algeria
Northern Natural Gas Co., Omaha, Neb.—Canada
Oil & Gas Property Management, Inc., Dallas, Tex.—Honduras, Yemen
Pantepec Oil, C. A., Houston, Tex.—Ecuador
Edwin W. Pauley, Los Angeles, Calif.—Dominican Republic, Mexico, Jordan
Petrolex of Panama Corp., Houston, Tex.—Panama
Placid Oil Co., Shreveport, La.—Canada
Plymouth Oil Co., Pittsburgh, Pa.—Guatemala, West Africa
Pyramid Oil Co., New York, N. Y.—Israel
Reiter-Foster Oil Co., New York, N. Y.—Cuba, Venezuela
Rimrock Tidelands, Inc., Shreveport, La.—Israel
San Jacinto Petroleum Corp., Houston, Tex.—Venezuela, Iran
San Jose Oil Co.—Philippines
San Juan Exploration Co., Dallas, Tex.—Canada
Santa Fe Oil Co., Miami, Fla.—Cuba
Santiago Petroleum Corp., Houston, Tex.—Canada, Ecuador, Guatemala
Scurry-Rainbow Oil, Ltd., Cleveland, Ohio—Canada
Seaboard Oil Co., Dallas, Tex.—Canada, Venezuela
O. R. Seagraves, Dallas, Tex.—Honduras
Seismograph Service Corp., Tulsa, Okla.—Bolivia
Sharples Oil Co., Denver, Colo.—Mexico, Venezuela
Siboney-Caribbean Petroleum Co., Tulsa, Okla.—Cuba
C. J. Simpson—Cuba
Skiles Oil Corp., Mt. Carmel, Ill.—Peru.
Sloane Exploration Co., Houston, Tex.—Guatemala
L. Sonneborn & Sons, New York, N. Y.—Israel
Southern California Petroleum Corp., Los Angeles, Calif.—Venezuela, Egypt
Southern Products Co., Fort Worth, Tex.—Canada
Southland Royalty Co., Fort Worth, Tex.—Panama
Star Oil Co., Dallas, Tex.—Venezuela
Sullivan & Garnett, Corpus Christi, Tex.—Honduras
Sunray Mid-Continent Petroleum Corp., Tulsa, Okla.—Alaska, Canada, Venezuela, Iran
Sunset International, Los Angeles, Calif.—Canada
Talon Petroleum Co., Houston, Tex.—Venezuela
Tennessee Gas Transmission Co., Houston, Tex.—Canada, Bolivia, Venezuela
Texas Alberta Oil Corp., Midland, Tex.—Canada
Texas American Oil Co., Midland, Tex.—Panama
Texas Calgary Co., Abilene, Tex.—Canada
Texas Gulf Producing Co., Houston, Tex.—Ecuador, Peru, Venezuela, Libya
Texota Oil Co.—Alaska, Liberia
Transcontinental Oil Corp., Dallas, Tex.—Cuba
Robert W. Tyson, Jackson, Miss.—Jordan

Union Oil & Gas Corporation of Louisiana, Houston, Tex.—Venezuela
United Carbon Co., Charleston, W. Va.—Colombia
United Cuban Oil Co., Inc., Los Angeles, Calif—Cuba
United Fruit Co., New York, N. Y.—Panama
United States Smelting, Refining & Mining Co., Boston, Mass.—Canada
Utah Construction Co., Salt Lake City, Utah—Panama
Venezuela Independent Oil & Refining Co.,—Venezuela
Venezuelan Leaseholds, S. A., Houston, Tex.—Venezuela
Venezuela Oil, RFO, S. A.—Cuba, Venezuela
Venezuela Syndicate, Inc., Houston, Tex.—Venezuela
Vimex Oil Co., Houston, Tex.—Venezuela
Waterford Oil Co., New Orleans, La.—Nicaragua
Western Hemisphere Petroleum Corp.,—Canada, Cuba, Colombia, Honduras
Western Natural Gas Co., Houston, Tex.—Venezuela
White Eagle Oil Co., Tulsa, Okla.—Bolivia, Venezuela, Philippines
Wichita River Oil Corp., New York, N. Y.—Mexico
Woodley Petroleum Co., Houston, Tex.—Canada
Charles B. Wrightsman, Houston, Tex.—Sicily
Yemen Development Corp., Washington, D. C.—Yemen
Zimeri Jordanian Oil Co. (J. W. Sparks), Jackson, Miss.—Jordan.

SEMIMAJORS AND THEIR SUBSIDIARIES

Amerada Petroleum Corp., New York, N. Y.—Canada, Guatemala, Peru, Venezuela, Egypt, Iran, Libya, Somalia, Somaliland
Ashland Oil & Refining Co., Ashland, Ky.—Canada, Guatemala, Venezuela, Neutral Zone
Atlantic Refining Co., Philadelphia, Pa.—Canada, Cuba, Guatemala, Venezuela, Iran, Saudi Arabia, Syria, Turkey
Canadian Superior Oil Company of California—Canada
Cities Service Oil Co., New York, N. Y.—Canada, Colombia, Peru, Venezuela, Algeria, Dhofar, Egypt, Iran, Oman, Sahara
Conorada Petroleum Co., New York, N. Y.—Peru, British Somaliland, Iran
Continental Oil Co., Houston, Tex.—Canada, Guatemala, Peru, Venezuela, Egypt, Iran, Libya, Somalia, Somaliland
Ohio Oil Co., Findlay, Ohio.—Alaska, Canada, Bolivia, Guatemala, Venezuela, Egypt, Libya, Somalia, Somoliland
Oasis Oil Co., Findlay, Ohio.—Egypt, Libya
Phillips Oil Co., Ltd.—Canada
Phillips Petroleum Co., Bartlesville, Okla.—Alaska, Canada, Mexico, Venezuela, Neutral Zone, Jordan
Pure Oil Co., Chicago, Ill.—Bolivia, Colombia, Paraguay, Venezuela
Richfield Oil Co., Los Angeles, Calif.—Alaska, Canada, Bolivia, Peru, Venezuela, Dhofar, Egypt
Signal Exploration Co., Los Angeles, Calif.—Guatemala, Venezuela
Signal Oil & Gas Co., Los Angeles, Calif.—Canada, Guatemala, Venezuela, Iran, Neutral Zone
Sinclair Oil Corp., New York, N. Y.—Cuba, Venezuela, Algeria
Sinclair Oil Corporation of Canada.—Canada
Sinclair Petroleum Co., New York, N. Y.—Cuba, Somalia
Sun Oil Co., Philadelphia, Pa.—Canada, Bahamas, Colombia, Guatemala, Venezuela, Australia, Pakistan
Superior Oil Company of Venezuela, Los Angeles, Calif.—Canada, Venezuela
Sahara Petroleum Oil Co., Houston, Tex.—Egypt
Tidewater Oil Co., San Francisco, Calif.—Canada, Bolivia, Guatemala, Iran
Union Oil Company of California, Los Angeles, Calif.—Alaska, Canada, Colombia, Costa Rica, Cuba, Guatemala, Panama, Paraguay, Peru
Venezuelan Petroleum Co., New York, N. Y.—Venezuela
Zulia Petroleum Corp.—Venezuela

Income from oil wells—Value of oil and gas from oil wells and gross revenue per well

Year	Average number producing oil wells [1]	Market value of crude oil (in millions)	Oil revenue per well	Value of marketed gas produced (in millions)	Percent from oil wells	Value of gas from oil wells (in millions)	Gas revenue per well	Total gross revenue per well
1940	384,700	$1,385	$3,601	$120	40	$46	$124	$3,725
1941	394,485	1,602	4,061	138	39	53	134	4,195
1942	402,400	1,643	4,083	154	35	54	134	4,217
1943	406,005	1,809	4,455	177	35	60	148	4,603
1944	406,695	2,033	4,999	190	34	65	159	5,158
1945	413,985	2,094	5,058	191	34	65	181	5,239
1946	418,606	2,443	5,836	212	38	81	193	6,029
1947	423,870	3,578	8,441	275	44	121	284	8,725
1948	432,085	5,245	12,139	333	36	120	297	12,416
1949	443,280	4,675	10,546	341	34	116	264	10,810
1950	457,275	4,963	10,853	409	34	139	304	11,157
1951	470,430	5,690	12,095	543	33	179	380	12,475
1952	481,765	5,785	12,008	624	33	206	427	12,435
1953	493,730	6,317	12,794	775	33	256	519	13,313
1954	505,070	6,425	12,721	883	32	283	560	13,281
1955	517,606	6,870	13,272	978	33	323	624	13,896
1956	537,590	7,263	13,512	1,089	33	359	666	14,178
1957 [2]	556,585	8,119	14,587	1,182	33	390	701	15,288

[1] Average of wells reported at beginning and end of year.
[2] Preliminary estimates based upon partial data reported by Bureau of Mines and American Gas Association.

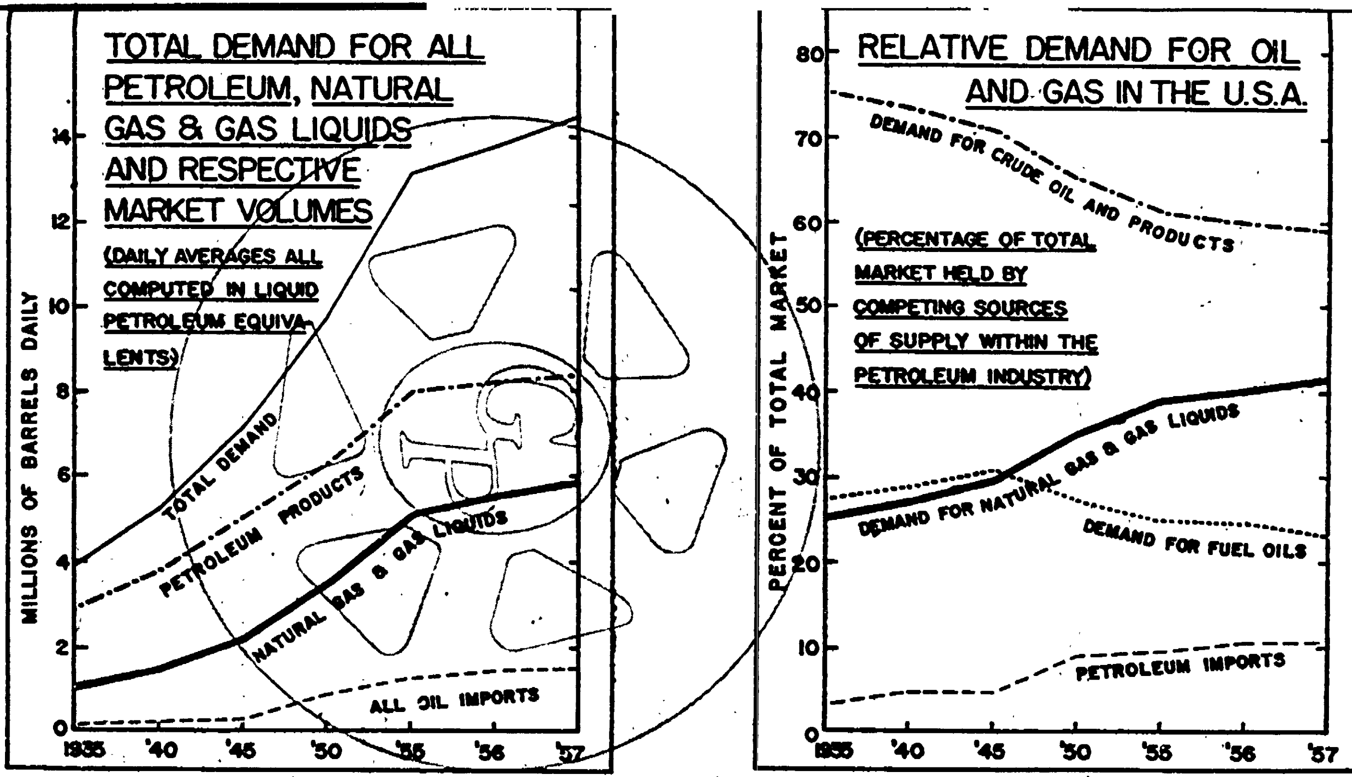


EXHIBIT V

Imported petroleum's increasing share of the hydrocarbon energy market in the United States is overshadowed by the tremendous growth in the share absorbed by natural gas and natural-gas liquids.

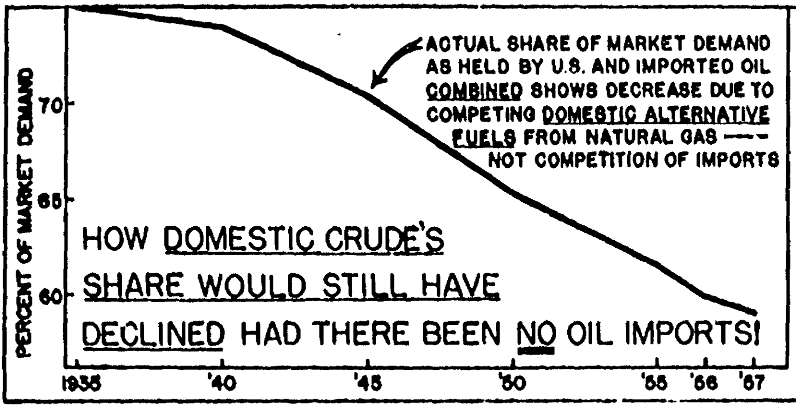


EXHIBIT VI

It thus becomes evident that drastic curtailment of petroleum imports could not have much influence on these inescapable market trends, because natural gas is underpriced and therefore more economical to use (costing about one-fifth as much per British thermal unit) as oil.

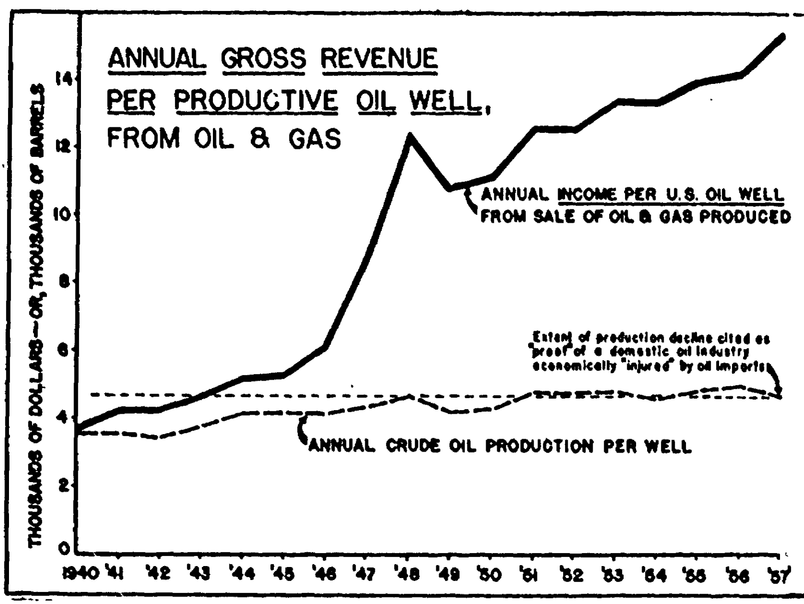


EXHIBIT VII

Fortunately for the oil producer, despite the fact it is underpriced in terms of its fuel value, the natural gas he formerly burned in flares for lack of markets now provides valuable supplementary income.

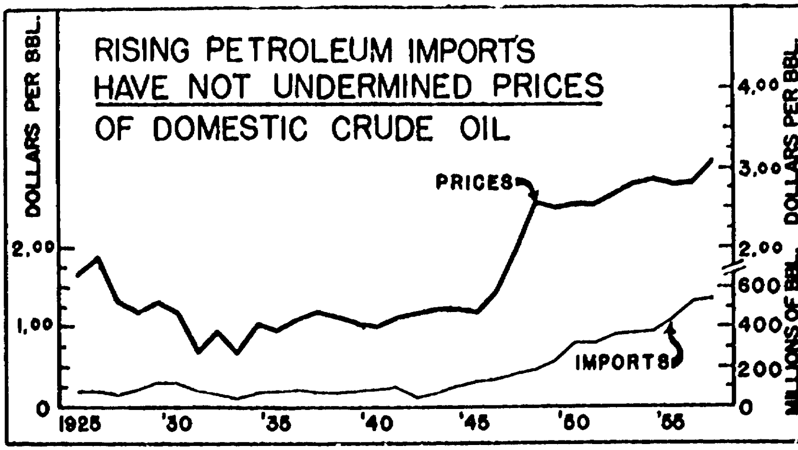


EXHIBIT VIII

The additional income derived from growing sales of natural gas products has combined with an almost uninterrupted increase in the value of crude to help the producer, for imports have not caused damage to price structures.

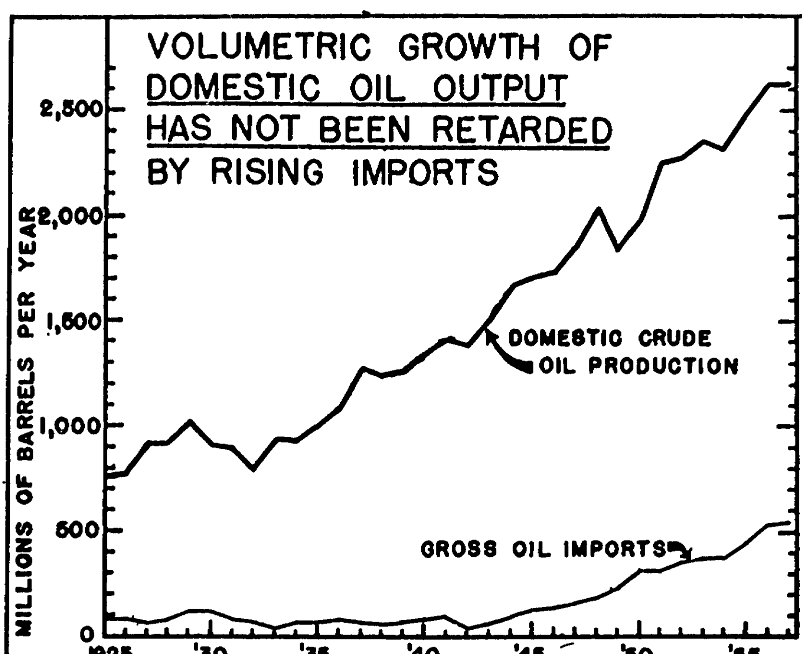


EXHIBIT IX

Anti-imports spokesmen deal in percentage growth of imports to obscure the fact that actual volumetric growth of domestic petroleum production has continued to be much more rapid than rise in import levels. They have not lost any of their sales volume; they have failed to gain as much as they want.

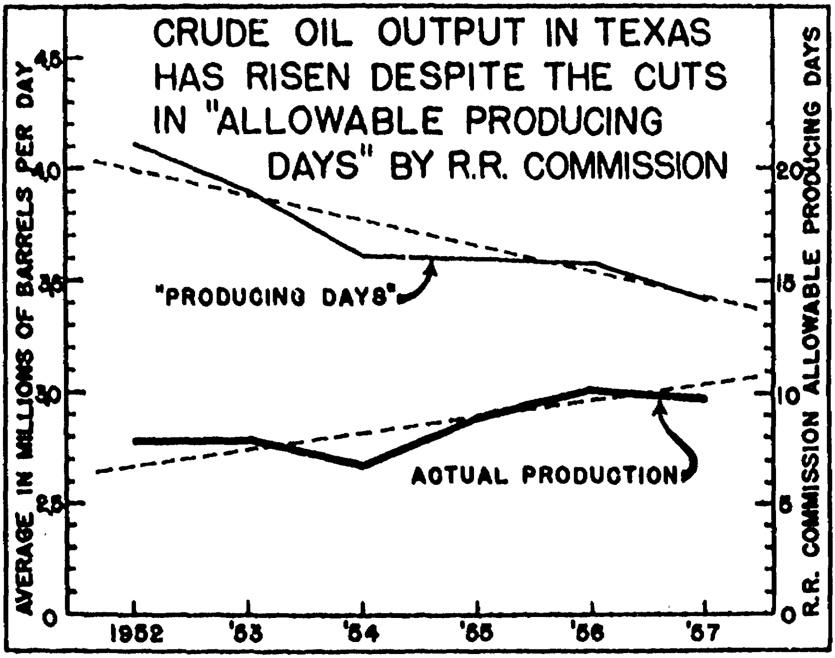


EXHIBIT X

In their eagerness to put the blame on imports for all their problems, the producers and State officials of Texas have put too much stress on the statistical yardstick known as allowable production days. This formula relates to the absolute maximum wells can produce without irreparably harming the reservoir—a production level permitted only in wartime emergency. A 10-day allowable is fairly normal. Furthermore, not all oil wells are subject to these allowables. Thus statistics show that even when the allowables are reduced, the many wells exempted from these restrictions can result in the actual level of production continuing to rise, and current output with a 9-day allowable is not far below production at 21 days in 1952.

Crude oil production in Texas during recent years

Year	Allowable production days per month (average)	Annual output of crude oil (thousands of barrels)	Average production per calendar day (barrels per day)
1952	21.0	1,022,139	2,792,700
1953	19.0	1,019,164	2,792,230
1954	16.0	974,275	2,669,250
1955	16.0	1,053,297	2,885,740
1956	15.8	1,107,808	3,026,750
1957	14.2	1,084,733	2,971,840
1958 to date	9.4		2,453,540

Representations that the State has suffered great loss of actual revenue from curtailed allowable production days has given rise to rumors of Texas having a deficit of $100 million. But on June 19, Gov. Price Daniel denied such deficit; said Texas is operating on a balanced budget with $12,392,000 in the general fund and a further $250 million in special funds.

Senator FREAR. Mr. John Gallagher, American Chamber of Commerce of Venezuela.

Mr. ELLIS. I have received a communication from Mr. Gallagher in Caracas, Mr. Chairman. Mr. Gallagher is involved in working out some labor disputes, and is unable to be here, and has asked that the statement of the chamber be included in the record at this point.

Senator FREAR. Thank you, Mr. Ellis. It will be included in the record at this point.

(The statement of Mr. John Gallagher in behalf of the American Chamber of Commerce of Venezuela follows:)

STATEMENT ON AMERICAN CHAMBER OF COMMERCE OF VENEZUELA

The American Chamber of Commerce of Venezuela has more than 200 members, the majority of whom are American citizens. The membership of the chamber, together with their affiliates, represents hundreds of United States citizens and corporations whose products, services and facilities are sold throughout Venezuela. A listing of the companies and organizations represented by our membership reads like a Who's Who of United States financial, industrial, and commercial enterprise.

None of the American oil companies doing business in Venezuela are members of the chamber. Although we do not speak for nor purport to represent their interests, it would be impossible to discuss trade and commerce between the United States and Venezuela without discussing Venezuelan oil exports since oil is in reality the principal medium of exchange used to support the commerce between the two nations.

We recognize that the Congress, as well as the executive branch, is under considerable pressure to change our present laws and policies with reference to trade reciprocity to the end of either specifically restricting imports of some commodities, such as oil, or to change the Trade Agreements Act in such a manner as would permit or require other branches of our Government to impose more restrictive measures on imports.

The possibility of such changes is of concern to all Americans engaged in the highly competitive field of foreign trade as it exists today. It is particularly alarming to those of us who are in the foreign-trade "front lines" engaged in trying to not only maintain but expand American interests in Venezuela. Venezuela is one of our best foreign markets and the reciprocal-trade relationship existing between the two countries is in effect a model example of the real benefits of free enterprise and trade reciprocity working at its best.

We strongly recommend that the Congress extend the Trade Agreements Act in a form that will not impair our present advantageous trade relations with Venezuela and by example encourage the expansion of similar trade relationships with other nations throughout the Western Hemisphere. As American citizens we believe that such trade relationships are to the best interest of the greatest number of Americans. As American businessmen we are interested in preserving a business climate in which we have invested a substantial portion of our working life, our capital, and our future business security.

Let us review the growth of the trade relationship between the two countries and attempt to appraise the basis, implications, and potentials of this relationship from the standpoint of economics, national security, and furtherance of international trade and friendship throughout the Western Hemisphere.

BASIS OF UNITED STATES-VENEZUELAN TRADE RELATIONS

Venezuela is our closest South American neighbor, being 1,800 miles from Florida and within 8 hours' flying time from New York. Venezuela has been a friend and ally of the United States in times of peace as well as conflict since her liberation in 1821 under the leadership of the patriot Simon Bolivar. Oil was discovered in Venezuela in 1914 and by the late 1930's Venezuela began to be an important market for American products. As will be noted from the following table, United States exports of goods and commodities to Venezuela have increased from $10 million in 1935 to approximately $1 billion in 1957:

Growth of merchandise exports from the United States to Venezuela, 1935-57 (includes reexports)

Year	Value of exports	Index numbers (1935-39 = 100)	Year	Value of exports	Index numbers (1935-39 = 100)
	Millions			*Millions*	
1935	$10		1952	$500	1,220
1935-39 average	41	100	1953	513	1,251
1940	69	168	1954	531	1,295
1945	137	334	1955	554	1,351
1949	518	1,263	1956	652	1,590
1950	400	976	1957	[1] 1,028	2,507
1951	456	1,112			

[1] Estimated on basis of 11 months' data.

Source: U. S. Department of Commerce Reports No. FT 420, United States Exports of Domestic and Foreign Merchandise, Country of Destination by Subgroup.

It should be noted that these figures do not include the value of invisible or intangible exports and benefits which in 1957 are estimated to be between $500 million and $600 million, making a grand total for that year of approximately $1,500 million to $1,600 million. This contrasts to our purchases from Venezuela for the same year amounting to approximately $900 million.

Your attention is specifically directed to the significant increase in American exports to Venezuela after the two countries entered into a bilateral trade agreement in 1939, within the framework of our Trade Agreements Act of 1934. Under the terms of that agreement the United States granted concessions on only 2 commodities of consequence, crude petroleum and fuel oil, and in return Venezuela granted concessions on approximately 100 items of various types.[1] This is a working example of a bilateral trade agreement wherein the United States received beneficial concessions in return for beneficial concessions granted. This, gentlemen, we understand is the true intent of the Trade Agreements Act.

This trade agreement with Venezuela was renegotiated in 1952 at which time the United States received concessions on approximately 100 items in return for further concessions on imports of crude oil and fuel oil from Venezuela. It is noteworthy that since that time commodity exports to Venezuela increased from $500 million to $1 billion.

Probably very few Americans are aware of the existence of this agreement which has been the basis for the expansion of trade between our two countries, but we can assure you the great majority of Venezuelans are aware of it and vitally concerned.

If our Nation in its wisdom finds that oil imports from Venezuela should be restricted, surely we should proceed to this end not by unilateral action but in accordance with the terms and provisions of this contract which is so mutually advantageous. If we must retreat from our international commitments, let us do so with caution and in accordance with the provisions of those commitments.

THE ECONOMIC ASPECTS

The people of every State in the Union benefit directly or indirectly from our trade with Venezuela. The 10 leading States in order of importance of commodity exports are: New York, Michigan, Ohio, New Jersey, Pennsylvania, Illinois, California, Indiana, Wisconsin, and Texas.

When it comes to changing laws and governmental regulations it is quite normal for people to ask, "How does this affect me?" We presume that Congressmen are concerned with the question, "How does this affect my constituents?" We submit to you information which will answer some of those ques-

[1] We are advised that the major portion of oil exports to the United States consists of heavy commercial fuel oil, residual, and heavy crude oil, which supplements but does not supplant domestic oil production.

tions. We refer you to exhibit 1 to our testimony which shows the United States exports of domestic merchandise to Venezuela for the year 1957 by categories and amounts. Those familiar with the various agricultural products, goods, and commodities produced in their States can from this report get some idea as to what Venezuela is using that is produced in their home section. A study was completed in 1955 by Econometric Specialties, Inc., of New York, N. Y., wherein they traced 90 percent of American exports to Venezuela to their source of origin. Their findings, as reflected by exhibit 2, show by city and State some of the various commodities exported to Venezuela. You can well imagine how much greater this showing would be if the 100 percent of our exports to Venezuela were traced to their source for the year 1957 when our market expanded to more than $1 billion.

We think it is further noteworthy that Venezuela is our second largest world customer on a per capita basis; this ranks Venezuela ahead of other important customers, such as the United Kingdom, France, Western Germany, and Japan—second only to Canada among all nations.

In addition to those who benefit directly from exports of commodities, there are the millions of American stockholders who hold an interest in companies that either engage in business in Venezuela or sell products to Venezuela. Added to this are the thousands of people who participate in shipping and transportation of these commodities, as well as being employed in insurance companies, banks, and service organizations that finance, insure, and service this trade. When we review the specifics of this particular export market—as distinguished from generalized figures—we soon see the widespread nature of the benefits to the citizens of our country from this advantageous market in Venezuela.

Now let us examine how Venezuela benefits from exports to the United States. Since oil is the principal export some would infer that only the persons employed by the oil companies are the beneficiaries. This is far from the truth. Since Venezuela is primarily a one crop country, that crop being oil, oil production and refining is the backbone of its economy and this industry directly and indirectly accounts for a substantial portion of the jobs in Venezuela. Such is not the case in the United States with our highly diversified economy wherein the oil industry is only one segment.

If oil imports from Venezuela were restricted the principal beneficiaries in the United States would be a part of the independent producing segment of the domestic oil and coal industry, and those who incidentally benefit therefrom. These benefits could at the most only be in proportion to the amount of oil imports restricted.

Certainly we can conceive of no one in Venezuela benefiting from restrictions on Venezuelan oil imports into the United States. Without this oil export market and the dollar return therefrom, Venezuela would necessarily have to curb its purchases from the United States, thus affecting thousands of producers and laborers throughout our country. The only possible foreign beneficiary of restrictions on our trade with Venezuela would be those other nations of the world with whom Venezuela may be forced to trade because of curtailment of its American markets.

After a cold analysis of these facts and factors it appears to our chamber that from the standpoint of economics any action which would place undue or unreasonable restraint on Venezuelan exports to the United States would in turn decrease our exports to that country and discourage further investment with the result of imposing adverse effects on more Americans, not to mention Venezuelans, than would ever be benefited.

The United States has set itself up as the champion of trade reciprocity, increased and liberalized international trade, and private investment, free enterprise development of our neighbors in the Western Hemisphere. Private American investment in Venezuela is some $3,500 million, second only to our investments in Canada.

Our experience in Venezuela, where this private capital has operated within a climate of free enterprise and equitable treatment, provides a classic example of the mutual benefits that can be derived from a common sense utilization of foreign capital by a country gifted with great natural resources. The facts and figures amply confirm this. Furthermore, this has all been done within the framework of private initiative, with absolutely no government aid from abroad and in turn no burden to the American taxpayer. Even today Venezuela asks nothing from us other than that we buy from them in order that they may buy from us—in other words, they want to do business with us in accordance with the spirit and letter of the trade agreement which exists between the two nations. This is not an unreasonable request.

THE NATIONAL SECURITY

Apparently most domestic groups who seek protection against foreign imports sooner or later seek to show that such restrictions are not only necessary from an economic standpoint but are also vital to the national security. Most proponents for oil import restrictions are no exception to this rule—as a matter of fact it is the basis for their principal argument and likewise is the basis on which the current system of voluntary quotas is predicated.

Let us examine the situation as to national defense or national security as related to oil imports. It is consistently stated that, "there is no security in foreign oil." Apparently those who make these observations are unaware of the historical facts that refute this, in the case of Venezuelan oil, since we have depended upon this oil in the past, during World War II, during the postwar fuel shortage along the Atlantic seaboard, during the Korean war and the recent Suez crisis.

Furthermore, we have had the assurance that we could depend upon this oil because of the geographical and historically friendly ties uniting us to Venezuela. At the outbreak of the Formosa crisis, the Venezuelan Foreign Minister stated his country's position: "In view of the problem faced by the free world and in particular the United States of America as a result of the tension created by the situation in Formosa, I would like to reaffirm to our sister nation to the north, in the name of the Government and the Venezuelan people, our sentiments of sincere and traditional friendship, our firm moral support and assure them that the natural and strategic resources of Venezuela, especially the petroleum and iron ore, will be available to the clause which has obliged President Eisenhower to solicit from Congress special powers for safeguarding the ideals of liberty and justice."

In spite of historical refutation, if we still assume there is no security in foreign oil, are we also to assume there is no security in foreign bauxite, manganese, tin, tungsten and many other strategic materials which we understand the United States does not possess in enough abundance to wage an all-out war? Should we ignore that Venezuelan iron ore, mined by American companies, is combined with Pennsylvania coal to produce steel in Pennsylvania mills, and would be vital to a future war effort? If we carry their argument that strategic materials from foreign sources will be unavailable in time of war to its logical conclusion, does this mean that we should gracefully surrender now, or does it mean that perhaps we should reasonably conserve our own inadequate resources and supplement them more heavily in normal times from foreign sources? Let us not through legislative mandate jeopardize or in any manner impair the availability of these necessary raw materials from whatever source they must come.

WHAT IS THE SOLUTION?

This committee is faced with the problem of trying to find a solution or solutions to this problem of how we can balance imports and domestic productivity in such a way as to insure our domestic economic stability as well as our national security. In the process of doing this we are sure that the committee is also concerned with achieving these solutions in such a manner as will minimize, or eliminate if possible, impairment of our foreign trade. This is not an easy task. Admittedly those of us who present our positions to you do so with viewpoints that are flavored in one degree or another by our own interests. Each witness feels that his viewpoint or position is equitable and we are no exception. We recognize that this committee has a difficult task in reconciling self-interest with that which is for the greatest good of our people. We have tried to demonstrate with facts plus conclusions drawn from those facts that a continuation of our previous policies on reciprocal trade have definitely worked, in the case of our relationship with Venezuela, for the greatest good of the most people. We do not profess to be experts on the results of this program as it applies to other nations in the world; however, we definitely have seen its benefits in the Western Hemisphere. We believe that if those policies are continued the ultimate result will be a further expansion of our trade everywhere, and particularly in the Western Hemisphere. We are equally convinced that a deviation from this policy which would produce undue or unreasonable restrictions on the exports from our friends in the Western Hemisphere will not only jeopardize our economy and impair our national security, but of more consequence could set in motion a chain of events that would seriously damage our economic, social and political relations with our foreign friends.

By way of specific suggestion on the oil imports issue, we submit the following for your consideration: First, we believe that before any action is taken on oil imports, either by the legislative or executive branch of the Government, conferences should be held with representatives of those countries from which our foreign oil supplies come, with a view toward working out with them amicable and mutual understandings on this problem. We believe that the principal nations involved are sufficiently aware of our domestic problems and we of theirs that we can reach better solutions in this way than if the United States imposes restrictions by unilateral action.

Secondly, we recommend that any modification of our trade relationship with Venezuela be made under the terms and provisions of the agreement now existing between the two nations.

Thirdly, that in the administration of our trade agreements program the maximum possible consideration should be given to the interdependence of the nations of the Western Hemisphere.

We believe that within the framework of these recommendations and suggestions, this nation of ours can continue its expansion of world trade while at the same time preserving for itself and friends abroad economic stability and military security.

In closing, gentlemen, we would like to digress from the more specific references to our trade relations and direct your attention to our social, economic, and political relations with the other countries of the free world. At this very moment some of our friends and neighbors are at a crossroads in their struggle to establish a more democratic way of life in both their political and economic affairs. The United States has declared itself a champion of such principles throughout the world and we have dedicated both our economic and human resources to this end. At this critical moment in world affairs we must not foster the interests of those opposed to such principles, which would certainly be the case should our legislative action damage the trade relationship with and in turn the economies of our friends.

Exhibit No. 1

United States exports of domestic merchandise to Venezuela in 1957 [1]

[Thousands of dollars]

00. Animals and annual products, edible:	
Animals, edible	$2,039
Meat and meat products	3,497
Animal oils and fats, edible	281
Dairy products	20,156
Fish and fish products	595
Other edible animal products	9,275
Total	35,855
0. Animal and animal products, inedible:	
Hides and skins, raw, except furs	32
Leather	587
Leather manufactures	745
Furs and manufactures	99
Animal and fish oils and greases, inedible	735
Other inedible animals and animal products	304
Total	2,606

See footnotes at end of table.

United States exports of domestic merchandise to Venezuela in 1957 [1]—Continued

[Thousands of dollars]

1. Vegetables food products and beverages:	
Grains and preparations	20,060
Fodders and feeds, n. e. c.[3]	1,375
Vegetables and preparations, edible	5,456
Fruits and preparations	8,680
Nuts and preparations	924
Vegetable oils, fats, and waxes, refined	3,047
Sugar and related products	300
Beverages and related products	2,965
Total	42,807
2. Vegetable products, inedible, except fibers and wood:	
Rubber and allied gums and manufactures, except special category 2[3]	11,369
Naval stores, gums and resins	433
Oil seeds	37
Vegetable oils, fats, waxes, crude	112
Vegetable dyeing and tanning extracts	100
Seeds, except oil seeds	170
Tobacco and manufactures	10,169
Miscellaneous vegetable products, inedible	611
Total	23,251
3. Textile fibers and manufactures:	
Cotton, unmanufactured	823
Cotton, semimanufactured	3,895
Cotton manufactures	15,157
Vegetable fibers and manufactures	550
Wool semimanufactures	11
Wool manufactures	671
Hair and manufactures, n. e. c.[3]	51
Silk and manufactures	145
Synthetic fibers and manufactures	9,036
Miscellaneous textile products	3,767
Total	34,806
4. Wood and paper:	
Wood, unmanufactured	341
Sawmill products	1,008
Wood manufactures	2,117
Cork and manufactures	311
Paper base stocks, except rags	331
Paper, related products, and manufactures	21,754
Total	26,535
5. Nonmetallic minerals:	
Petroleum and products, except special category 2[3]	4,305
Stone, hydraulic cement, and lime	1,297
Glass and products	7,342
Clay and products	5,188
Other nonmetallic minerals, including precious	4,907
Total	23,265

See footnotes at end of table.

United States exports of domestic merchandise to Venezuela in 1957 [1]*—Continued*

[Thousands of dollars]

6. Metals and manufactures, except machinery and vehicles:	
Iron bars, skelp, and pipe	2,414
Steel mill products, rolled and finished	132,037
Castings and forgings	762
Railway car and locomotive wheels, tires and axles (rolled and forged)	37
Metal manufactures, exclusive of special category 1	77,255
Aluminum ores, concentrates, scrap and semifabricated forms	1,770
Copper ores, concentrates, scrap, and semifabricated forms	1,607
Copper-base alloys	168
Lead and semifabricated forms	275
Nickel and semifabricated forms	148
Tin and semifabricated forms	11
Zinc and semifabricated forms	17
Nonferrous ores and semifabricated forms	133
Precious metals and plated ware, n. e. c. [2]	25
Total	216,660
7. Machinery: [4]	
Electrical machinery and apparatus, excluding special categories [3]	67,050
Engines, turbines, and parts, n. e. c. [2]	16,831
Construction, excavating, mining and oilfield machinery	125,569
Metalworking machines, n. e. c. [2], parts and accessories	2,785
Textile, sewing and shoe machinery	2,143
Other industrial machines and parts	83,632
Office machines and parts	3,054
Printing and bookbinding machinery	698
Agricultural machines, implements, and parts	2,885
Total	305,345
8. Vehicles: [4]	
Tractors, parts and accessories, except special category 2 [3]	16,843
Automobiles, trucks, buses, trailers, parts, and accessories, excluding special category 2 [3]	100,789
Aircraft, parts and accessories, excluding special category 2 [3]	13,281
Watercraft, excluding special category 1 [3]	38,340
Railway transportation equipment	11,491
Other vehicles and parts	665
Total	187,418
9. Chemicals and related products:	
Coal-tar products, excluding special category 2 [3]	947
Medicinal and pharmaceutical preparations	17,382
Chemical specialties	22,921
Industrial chemicals, excluding special categories 1 and 2 [3]	5,069
Pigments, paints and varnishes	4,211
Fertilizers and fertilizer materials	1,746
Black powder and dynamite	2,723
Soap and toilet preparations	1,930
Total	56,951

See footnotes at end of table.

United States exports of domestic merchandise to Venezuela in 1957 [1]*—Continued*

[Thousands of dollars]

10. Miscellaneous:	
Photographic and projection goods, excluding special category 1 [3]	4,604
Scientific and professional instruments, n. e. c.[2], excluding special category 1 [3]	7,783
Musical instruments, parts and accessories	5,700
Miscellaneous office supplies	4,259
Ordance and pyrotechnics, excluding special categories 1 and 2 [3]	94
Books, maps, pictures, and other printed matter, n. e. c.[2]	3,202
Miscellaneous commodities, n. e. c.[2], excluding special category 1 [3]	20,181
Total	49,147
Total exports	1,005,012

[1] From U. S. Department of Commerce Monthly Reports No. FT 420, United States Exports of Domestic and Foreign Merchandise, Country of Destination by Subgroup. All totals are estimated from 11 months data.

[2] Not elsewhere classified.

[3] Special categories include commodities for which export figures are not published separately, for security reasons.

[4] In this tabulation, the subgroup, machinery and vehicles, has been divided further into two groups.

NOTE.—The sum of the items in each subgroup will not equal the subgroup total because many small items are included in the total but not listed in this breakdown.

EXHIBIT NO. 2

To Testimony of
American Chamber of Commerce
June 26, 1958
Senate Finance Committee

EXPORTS TO VENEZUELA

WHAT THEY ARE

AND

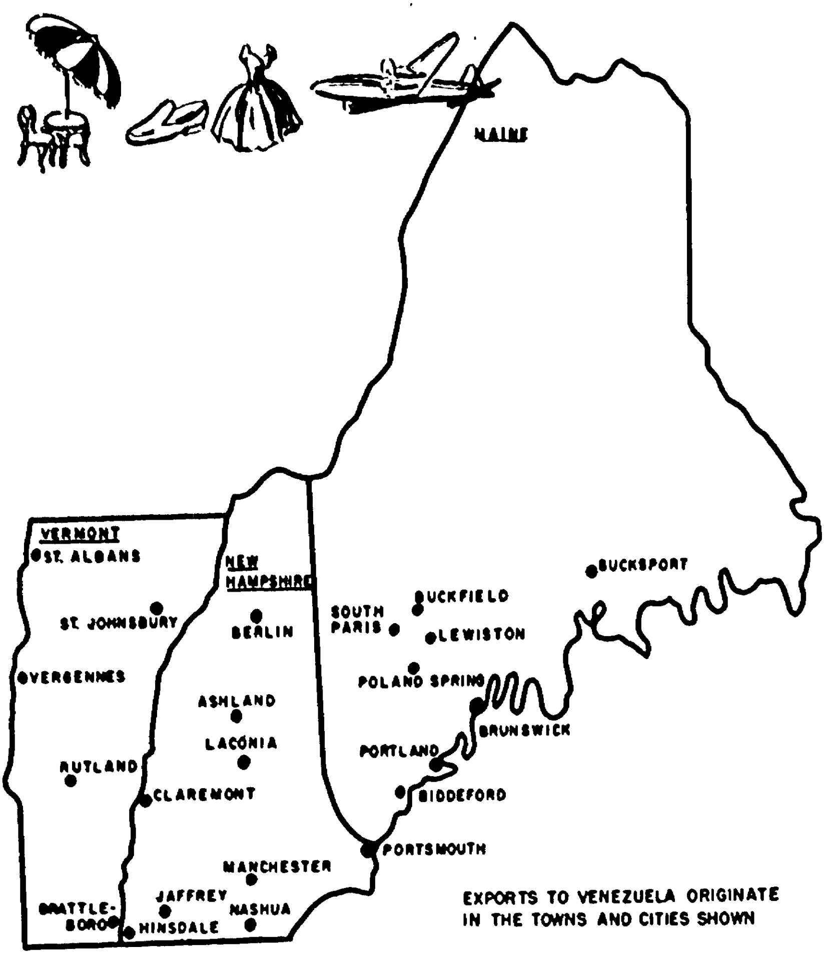
WHERE THEY COME FROM

(Representing 60% Sample)

Prepared by ECONOMETRIC SPECIALISTS INC., New York, N.Y.

New England States

MAINE NEW HAMPSHIRE VERMONT



New England States

MAINE

Cities	Commodities	Cities	Commodities
Biddeford	Cotton textiles	**Lewiston**	Cotton piece goods
Brunswick	Paper products	**Poland Springs**	Mineral water
Buckfield	Shoe findings and machinery	**Portland**	Industrial hardware
Bucksport	Paper products	**South Paris**	Garden furniture

NEW HAMPSHIRE

Ashland	Napkins, paper towels, toilet paper	**Laconia**	Knitting machinery, textile machinery
Berlin	Paper products	**Manchester**	Cotton textiles, leather
Claremont	Construction machinery	**Nashua**	Cotton piece goods, plastic toys, shoe findings and machinery
Hinsdale	Napkins, paper towels, toilet paper		
Jaffrey	Shoe findings and machinery	**Portsmouth**	Deep-sea cable

VERMONT

Brattleboro	Musical instruments	**St. Johnsbury**	Industrial scales
Rutland	Cotton textiles, weighing equipment	**Vergennes**	Aircraft parts
St. Albans	Batteries, carbons, electrodes	**Other**	Paper products

MASSACHUSETTS

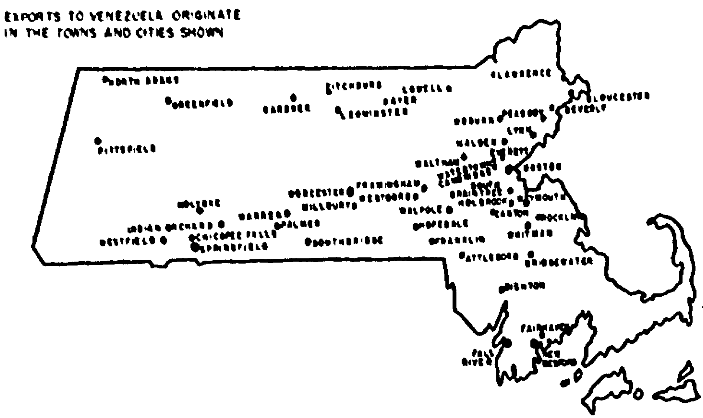
Attleboro	Cordage	**Chicopee Falls**	Rubber products
Ayer	Leather tanning and finishing	**Dighton**	Chemical products
Beverly	Shoe findings and machinery	**Everett**	Duplication machines
Boston	Auto parts, centrifuges, electronic products, industrial chemicals, laboratory apparatus, leather manufactures, safety razors and blades, shoe fabrics, textile sewing machinery, water distilling equipment	**Fairhaven**	Iron and steel products
		Fall River	Cotton textiles
		Fitchburg	Paper and paperboard, saws and knives
		Framingham	Paper tags, labels, seals
		Franklin	Felt
		Gardner	Furniture, time-recording clocks
Bridgewater	Nails	**Gloucester**	Glue, mucilages
Cambridge	Cameras, carbon paper, films, industrial chemicals, ink, insulated cable, office supplies, shoe fabrics, shoe findings and machinery, textiles, wire and cable	**Greenfield**	Iron and steel products, tools
		Holbrook	Chemicals
		Holyoke	Mining and well machinery, paper and paper products, plumbing fixtures, technical papers
Canton	Leather tanning and finishing, rubber products	**Hopedale**	Textile machinery
		Indian Orchard	Water valves

New England States

MASSACHUSETTS (continued)

Cities	Commodities
Lawrence	Plastic products, shoe fabrics
Leominster	Chemicals
Lowell	Leather, shoe fabrics
Lynn	Chemical specialties, shoe blacking
Malden	Paints and pigments
Millbury	Felt vibration pads
New Bedford	Aluminum furniture, cotton textiles, rayon piece fabrics, shoe findings and machinery
North Adams	Electric machinery
Palmer	Cotton textiles
Peabody	Leather
Pittsfield	Paper products
Rockland	Rubber products
South Braintree	Auto fabrics
Southbridge	Optical implements, scientific equipment
Springfield	Fuel injection systems, hair preparations, oil-burning equipment, paper and paper products, revolvers, service station equipment, tools
Walpole	Cotton goods
Waltham	Electronic equipment
Warren	Pumping machinery
Watertown	Fountain equipment, material-handling equipment, meat products, pipe valves, rubber footwear
Westboro	Coffee and plantation machinery, grinding wheels
Westfield	Textile machinery
Weymouth	Liquid household cement
Whitman	Tacks and nails
Woburn	Leather
Worcester	Grinding machines, grinding wheels and abrasive grain, industrial machinery, leather manufactures, plastic molding machinery and dye casting, padding presses, punch card filing office equipment, textile sewing and shoe machinery
Other	Canned fish, chemicals, iron and steel products, paper products

MASSACHUSETTS



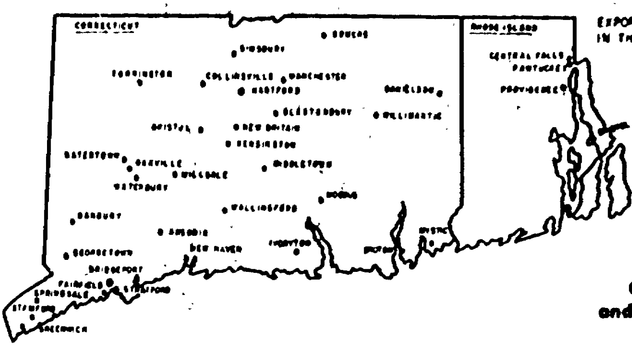
New England States

CONNECTICUT

Cities	*Commodities*
Ansonia	Manicure specialties, metal products
Bridgeport	Aerosol bombs, cables, casters, chains, dictating and recording equipment, electric equipment, fountain pens, metal products, office machinery and equipment, safety razors and blades, steel castings, typewriters
Bristol	Auto parts, trucks and coaches
Collinsville	Axes, machetes, picks
Danbury	Dyes
Danielson	Motor controls, wiring devices
Fairfield	Fabrics and finishes, storage batteries
Georgetown	Metal fencing, wirecloth poultry netting
Glastonbury	Soap and toilet preparations
Greenwich	Books, magazines, stationery
Groton	Textile products
Hartford	Aircraft parts, electric motors, electric wiring devices, electronic control equipment, household brushes, kerosene stoves, office appliances, typewriters
Ivoryton	Plastic products
Kensington	Paper products, textiles
Manchester	Cleansers, paper and paperboard
Middletown	Brake lining and clutch facings
Milldale	Bottling machinery, pumps, steel tanks
Moodus	Textiles, twine
Mystic	Marine engines, turbines and parts
New Britain	Coffee percolators, hardware, irons, mechanics' hand tools, textile machinery, waffle irons
New Haven	Cameras, educational toys, electric drills, film, mixers, model trains, plastic materials, threading and cutting machinery, toys
Oakville	Iron and steel manufactures
Simsbury	Blasting supply accessories
Somers	Insecticide sprayers
Springdale	X-ray equipment
Stamford	Aircraft parts and accessories, camelback, construction equipment, electric shavers, engines, glass coffee makers, locks, office appliances, pumps
Stratford	Gauges and miscellaneous instruments, machinery, safety valves
Torrington	Non-ferrous rods, sheets, tubes and wire
Wallingford	Silverware
Waterbury	Brass and copper products, metal trimmings
Watertown	Plastic ware
Willimantic	Textile products
Other	Chemicals

RHODE ISLAND

Cities	*Commodities*
Bristol	Rubber goods
Central Falls	Laundry and dry cleaning equipment
Pawtucket	Cotton goods, rubber products, textile machinery, textile mill supplies and accessories
Providence	Atomizer equipment, auto parts, humidifiers, industrial machinery, iron and steel products, machine tools, medical rubber goods, water meters and repair parts

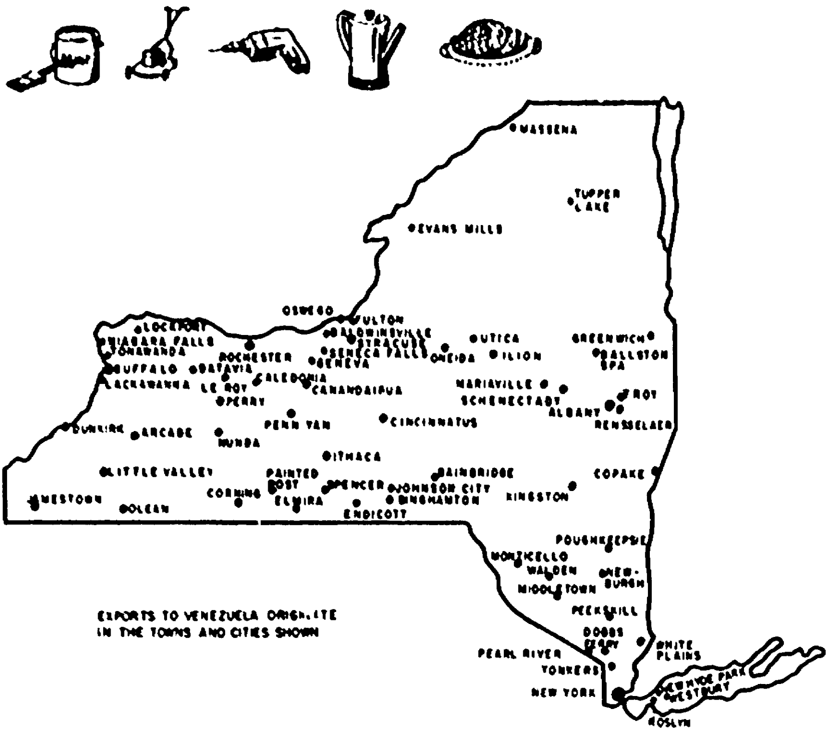


EXPORTS TO VENEZUELA ORIGINATE IN THE TOWNS AND CITIES SHOWN

CONNECTICUT and RHODE ISLAND

Middle Atlantic States

NEW YORK



Middle Atlantic States

NEW YORK

Cities	*Commodities*
Albany	Cleansers, detergents, lye and caustic soda, naphtha, paper towels, toilet paper
Arcade	Powdered milk products
Bainbridge	Chemical products
Baldwinsville	Wheat flour
Ballston Spa	Leather
Batavia	Agricultural sprayers
Binghamton	Paper products, photographic products
Buffalo	Ceramic supplies and equipment, concrete admixtures and coloring agents, dental gold and supplies, fibreboard, flour and cereals, iron and steel manufactures, liquid meters, medicines, metal hospital furniture, mining machinery, office appliances, packaging machines, pumps, rubber products, sugar cane machinery, television sets, wallboards, welding equipment
Caledonia	Liquid chlorine
Canandaigua	Enamelware, galvanized wire
Cincinnatus	Powdered milk products
Copake	Safety equipment
Corning	Glass products, laboratory apparatus, laboratory glassware
Dobbs Ferry	Flavoring extracts, medicines
Dunkirk	Locomotives
Elmira	Auto parts, office appliances, oil purifiers, television tubes, typewriters, valves
Endicott	Business machines
Evans Mills	Powdered milk products
Fulton	Facial and toilet tissue
Geneva	Kitchenware
Greenwich	Textiles
Ilion	Office appliances
Ithaca	Office appliances
Jamestown	Metal office furniture
Johnson City	Office equipment and supplies
Kingston	Rock crushing equipment
Lackawanna	Iron and steel
Le Roy	Tools
Little Valley	Powdered milk products
Lockport	Autos and parts
Marlaville	Glassware
Massena	Aluminum products
Middletown	Tools
Monticello	Synthetic oils
Newburgh	Felt, lighting fixtures
New Hyde Park	Electronic products
New York	Abrasives, adhesives, aircraft, aircraft parts and accessories, artificial leather, artist supplies, asphalt roofing material, auto parts and service equipment, belt and chain conveyors, belts, books, bottling equipment, bourbon, buttons, canned foods, cardboard wardrobes, carpets and rugs, cement making machinery and parts, ceramic supplies and equipment, chemical products, chewing gum, church equipment, cleansers, coated fabrics and papers, compressors, conduits, construction machinery, construction materials, cosmetics, cotton manufactures, cotton thread, dairy products, dental alloys and products, display equipment, doughnuts, dresser sets, elastic tape, electric products for automotive vehicles, electric machines and appliances, electric utility equipment, electronic products, engines, filing supplies, filters, firearms, fire-fighting equipment, floor coverings, flour, food and food products, fresh fruit, frozen fish, fuel pumps for autos and trucks, garment manufacturing machinery, gifts, glass bottles, handkerchiefs, hardware, hops, hydraulic vulcanizers, industrial adhesives, industrial glass containers, industrial machines, inks, insulators, iron and steel products, jewelry, kraft boards, laboratory apparatus and materials, ladies wear and undergarments, lead products, leather manufactures, lithographic supplies, machinery and parts, magazines, magnetic recording equipment, maps, marking devices, meat products, medical instruments, metal containers, metallic stearates,

Middle Atlantic States

NEW YORK (continued)

Cities	*Commodities*
New York (con't)	metal products, motion picture and communications equipment, motion pictures, motorcycles, newsprint, non-metallic minerals, nuts, nylon goods, office machines and equipment, olives, optical goods, paint brushes, paints, paper and paper products, paper cups, paper liquid food containers, pencils, petroleum products, pharmaceutical chemicals and products, phonograph records, photo and projection goods, pianos, pictures, pigments, pipe, plastic hoses, plastics and products, plywood products, pneumatic riveting equipment, potatoes, precision castings, prefabricated shower cabinets and glass shower doors, printing machinery, prints, radios, television and parts, razors and razor blades, refrigerators, rubber products, safes, scales, scientific and professional instruments, sewing machines, shaving brushes, show cases, silk products, silverware, skirts, soap and toilet preparations, soft drinks and concentrates, solder and babbitt, soy bean lecithin, specialty chemicals, sporting goods, stationery supplies, steel products for concrete construction, sugar mill machinery, supermarket refrigeration equipment, synthetic fibres, television receivers, textile machinery, textiles, toys, typesetting machines and supplies, vacuum cleaners, valves, vegetable fats, vehicles and parts, vending machines, vinyl sheeting, wire cable, x-ray equipment
Niagara Falls	Abrasives, auto parts and accessories, ceramic supplies and equipment, chemicals, cotton products, paper products
Nunda	Steel products
Olean	Compressors, electric utility equipment, engines
Oneida	Plated and sterling silverware, stainless steel flatware
Oswego	Boilers
Painted Post	Compressors, gas engines
Pearl River	Industrial chemicals
Peekskill	Electric machinery
Penn Yan	Flour
Perry	Powdered milk products
Poughkeepsie	Bearings, dairy equipment, elevators and doors, office appliances
Rensselaer	Drugs and toilet preparations, dyestuffs and chemicals
Rochester	Air compressors and paint spray equipment, autos and parts, chemicals and chemical specialties, children's furniture, industrial machinery, men's furnishings, movie cameras, musical instruments, optical equipment and products, pet supplies, pharmaceuticals, photo and projection goods, residential heating equipment, service station equipment, spices and dressings, tape recorders
Roslyn	Toilet preparations
Schenectady	Insulators, locomotives
Seneca Falls	Pumps
Sidney	Aircraft magnetos, auto parts
Spencer	Dairy products
Syracuse	Agricultural machinery, autos and parts, chemicals and products, dyes, electric equipment, industrial machinery, lanterns and lighting equipment, locomotives, office appliances, rubber products
Tonawanda	Musical instruments, office appliances
Troy	Auto parts, coated abrasives, industrial tapes
Tupper Lake	Wood products
Utica	Electric equipment, pneumatic tools and drills
Walden	Tables, toys
Westbury	Glass frames, machinery
White Plains	Welding rods
Yonkers	Elevators, vitamin tablets
Other	Autos and parts, canned food, chemicals, cosmetics, electrical supplies, paper products, pens, plastics, road building machinery

Middle Atlantic States

NEW JERSEY

Cities	Commodities
Atlantic City	Glass-working machinery
Bayonne	Bolts, dehydrated castor oil, petroleum products, table dressing
Belleville	Auto fabrics, expansion joints for highway construction, television sets
Bloomfield	Lamps, pharmaceuticals, toilet preparations
Bound Brook	Industrial chemicals, textile products
Burlington	Cast iron pipe
Butler	Rubber products
Camden	Chemical products, leather for shoe uppers
Carneys Point	Refrigeration gases
Carteret	Ceramic chemicals
Clifton	Automatic weighing equipment, conveyors, railroad freight cars, rayon manufactures, toiletries and fine soap
Dover	Gasoline and oil hose, precision castings, sportswear and foundations
Dunellen	Iron and steel, printing machinery
East Orange	Pipe
East Rutherford	Asphalt emulsions and cutbacks, asphalt-saturated felt, mineral surfaced roll roofing
Edgewater	Automobiles, linseed oil
Elizabeth	Pigments, paints and varnishes, typewriter ribbons
Fairlawn	Auto parts
Gibbsboro	Paints
Gloucester City	Asbestos roofing materials, industrial chemicals
Harrison	Elevators, mining and well machinery, trucks and coach parts
Hillside	Bottling equipment
Hoboken	Paper products, tank coating materials
Jersey City	Botanical drugs, castor oil, chemical products, detergents, elevator equipment, essential oils, lead pencils, magazines, books and stationery, medicinal and pharmaceutical preparations, soap, tobacco and manufactures, toilet articles and components
Kearny	Floor coverings
Kenilworth	Pharmaceuticals
Lakewood	Eggs
Linden	Chemicals, dyestuffs
Lodi	Pigments, paints and varnishes
Lyndhurst	Botanical derivatives
Mahwah	Brake shoes
Metuchen	Automobiles, radio and television
Millville	Glass products
Montville	Essential oils
Morris Plains	Cosmetics, pharmaceuticals
Morristown	Brassieres
Newark	Auto seat covers, cement-making machinery and parts, chemicals, chemical cleaning compounds, chemicals for rubber industry, chewing gum, cigarette lighters, erasers, filters for food, drug and cosmetic industry, fire fighting equipment, glass products, industrial chemicals, leather manufactures, medicinal products, metal beds, meters and instruments, paints and pigments, photo-flash bulbs, plate glass, solder, spices, toilet preparations, water treating equipment, welding products
New Brunswick	Cable, drug products, steel conduits, surgical dressings, toilet goods, trucks, wire
North Bergen	Fluorescent and incandescent lamps, paper products
Nutley	Lettering equipment
Parlin	Cellulose products
Passaic	Neckwear, slacks
Paterson	Cosmetics, metal mouldings, rayon manufactures, woven labels
Perth Amboy	Asphalt, brassieres, ceramic and enameling equipment
Phillipsburg	Chemicals, compressors, diesel engines, pumps, rock drills
Plainfield	Engines, light machine tools, rosin, transmissions, wood- and metal-working machinery
Rahway	Auto parts
Red Bank	Aircraft inverters
Ridgefield	Asphalt roofing materials, paper and paperboard, stoves
Ridgewood	Well, mining and pump machinery
South Bound Brook	Roofing materials
South Plainfield	Chemicals
Teterboro	Aircraft instruments and accessories
Toms River	Eggs
Trenton	Cables, refrigerators, steel and steel mill products, store fixtures
Union	Industrial cutting and welding equipment, watch bracelets
Vineland	Laboratory glassware
Warners	Roofing asphalt
Wharton	Pipe
Whippany	Rubber products
Other	Building materials, chemicals, electrical supplies, industrial and pharmaceutical chemicals, paper products, petroleum products, pipe, plastics, trucks and coaches

NEW JERSEY

EXPORTS TO VENEZUELA ORIGINATE
IN THE TOWNS AND CITIES SHOWN

Middle Atlantic States

PENNSYLVANIA

Cities	Commodities
Aliquippa	Steel products
Allenport	Steel products
Allentown	Sugar machinery, trucks
Ambler	Agricultural and metal-working chemicals
Athens	Pneumatic tools
Barrett	Clay products
Beaver Falls	Seamless and welded tubes, steam boilers
Beavertown	Synthetic textile fabrics
Berwick	Steel products
Bethlehem	Iron and steel products, structural steel
Blandburg	Clay products
Bristol	Industrial chemicals, paper
Brockway	Glass products
Chester	Paper products
Clearfield	Clay products
Coatesville	Carbon steel plate
Conshohocken	Glassine, rigid steel conduits, rubber products, service station equipment
Coraopolis	Automobile service equipment, butterfly control valves
Corry	Office appliances
Easton	Paints, pigments, welded products
East Stroudsburg	Galvanized hardware
Eddystone	Structural steel
Emmaus	Electric wiring devices
Emmons	Lighting fixtures
Erie	Chemical specialties, commercial refrigerators, construction machinery, gasoline pumps, hand pipe tools, hand trucks, machinists' vises, permanent magnets, plastic tableware, pneumatic pumps, printing paper, sterilizers
Fairless	Steel and steel mill products
Franklin	Air compressors, construction machinery, diesel engines
Greensburg	Lamps
Greenville	Storage tanks
Grove City	Diesel engines and compressors
Harrisburg	Concrete carts
Hatboro	Chlorination equipment, hospital equipment, industrial equipment
Jeannette	Glassware
Johnstown	Iron and steel
Lancaster	Closures and crowns, floor tiles, linoleum and felt base, water purification equipment, water systems
Latrobe	Tungsten carbide products
Lebanon	Iron and steel
Lewistown	Rayon yarn
Malvern	Hypodermic needles, syringes
Marietta	Biologicals
Meadville	Rayon yarns
Middleburg	Synthetic textile fabrics
Monessen	Steel products
Monongahela	Automatic stokers, fuel feeding devices
Mt. Holly Springs	Laboratory filter paper
Mt. Union	Clay products
Natrona	Agricultural chemicals
New Brighton	Iron and steel manufactures
New Castle	Plumbing fixtures
New Holland	Electric machinery
New Kensington	Aluminum and manufactures
North Wales	Wicks
Oaks	Paper products, rubber products
Philadelphia	Agricultural implements, alcoholic beverages, artificial teeth, automobiles and auto parts, awnings, ball bearings, books chemicals, chemical pumps, confections, cotton tape, cotton yarn, dental supplies, diesel engines, electrical resistors, electric equipment, electric meters, filing cabinets, flow gauges and controllers, fountain equipment, hats, hose couplings and parts, hosiery, hydrometers, industrial chemicals, industrial controls, industrial tools, iron and steel products, kitchen equipment, lamps, lead products, leather manufactures, locomotives, looseleaf devices, magazines, materials-handling equipment, mechanical and rubber products, medical books, medicines, metal products, mustard, office supplies, paint grinding vehicles, panels, paperboard, paper products, paper tubes, petroleum products, pharmaceutical specialties, photo binders, pigments, paints and varnishes, pet supplies, plumbing equipment, power transmission drives, presses, pumping units, pumps, radio sets, refrigerators, scientific instruments, smokestands, spices and dressings, sportswear and foundations, stationery, steam plant equipment, structural steel, sugar machinery, television receivers, textiles, thermometers, tobacco manufactures, turbines, water heaters, water treating systems

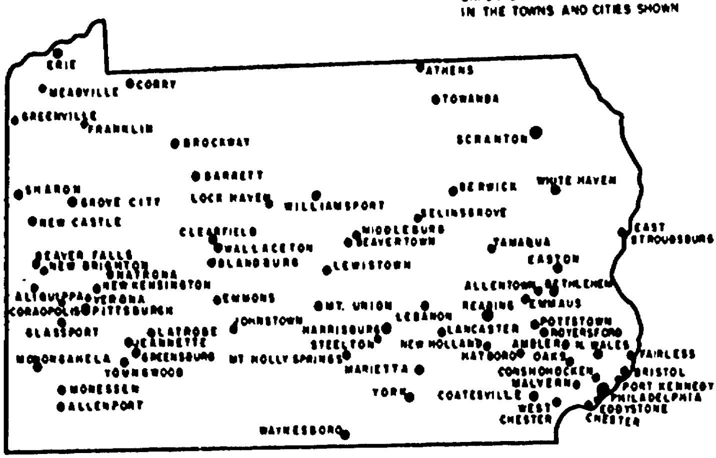
Middle Atlantic States

PENNSYLVANIA (continued)

Pittsburgh	Aircraft parts, beverages, ceramic colors, chemicals, construction machinery, electric machinery, glass products, industrial chemicals, industrial machinery, irrigation pipe, laboratory apparatus, medicine droppers, metal containers, mine safety appliances, oil tanks, petroleum and products, pole line hardware, salt, steel and steel mill products, steel pipe, steel plants and equipment, vegetables and vegetable preparations, ventilators, water tanks
Port Kennedy	Clay products
Pottstown	Axle shafts, boilers and tanks, rubber
Reading	Aircraft batteries, auto parts and accessories, hosiery machine parts, iron and steel manufactures, plumbing fixtures
Royersford	Structural steel
Scranton	Bathroom sets, kitchen equipment
Selinsgrove	Synthetic textile fabrics
Sharon	Regulators, transformers
Steelton	Iron and steel products
Tamaqua	Dynamite and blasting supplies
Towanda	Photo products
Verona	Railway car parts
Wallaceton	Clay products
Waynesboro	Industrial machinery
West Chester	Air compressors for construction work, antibiotics, fire protection equipment and chemicals
White Haven	Dynamite and blasting supplies
Williamsport	Iron and steel
York	Air conditioners, refrigeration equipment, steel office equipment, welding equipment
Youngwood	Diesel controls, thermostats
Other	Chemicals, dynamite and blasting supplies, paper products, plastics, rayon fabrics, wearing apparel

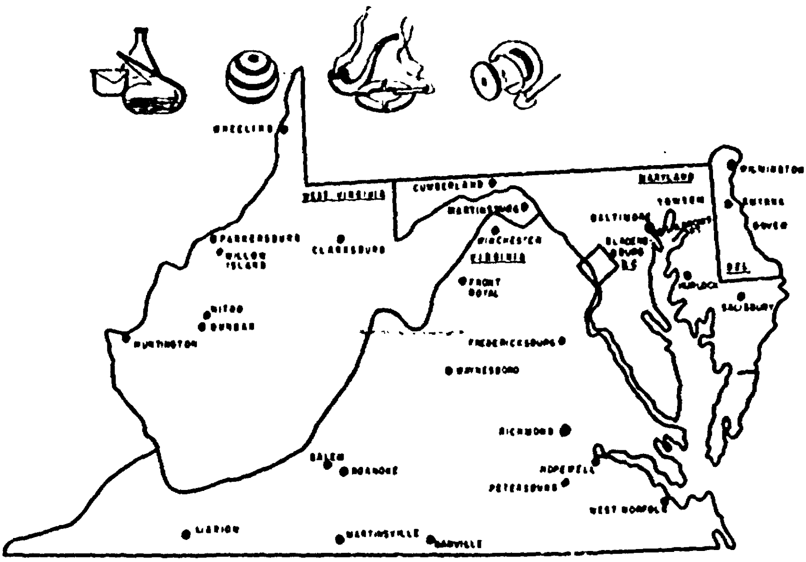
PENNSYLVANIA

EXPORTS TO VENEZUELA ORIGINATE IN THE TOWNS AND CITIES SHOWN



South Atlantic States

DELAWARE, MARYLAND, VIRGINIA
and
WEST VIRGINIA



EXPORTS TO VENEZUELA ORIGINATE
IN THE TOWNS AND CITIES SHOWN

South Atlantic States

DELAWARE

Cities	Commodities
Dover	Baby needs, girdles, pillows
Smyrna	Milk coolers
Wilmington	Chemical supplies, dental products
Other	Chemicals

MARYLAND

Cities	Commodities
Baltimore	Beverages, bottling equipment, cement making machinery and parts, chemicals, chemical specialties and dyes, cotton manufactures, electric machinery, food, galvanized ware, gas ranges, industrial chemicals, industrial plumbing equipment, kitchen cabinets, lead products, metal containers, metal culverts, meteorological equipment, pencils, paints, petroleum products, pigments, plumbing fixtures, steel strapping and equipment, tinware, vegetables, meat and fruit, x-ray equipment
Bladensburg	Anesthesia gases, welding equipment
Cumberland	Rubber products
Hurlock	Metal containers
Salisbury	Pumps
Sparrows Point	Iron and steel
Towson	Aircraft radios, radio equipment, television receivers

DISTRICT OF COLUMBIA

Cities	Commodities
Washington	Paper products

VIRGINIA

Cities	Commodities
Danville	Cotton textiles
Fredericksburg	Rayon yarn
Front Royal	Rayon yarn
Hopewell	Cellulose products, petroleum products
Marion	Billiard tables, bowling alleys
Petersburg	Tobacco and manufactures
Richmond	Aluminum and manufactures, tobacco and manufactures
Roanoke	Rayon yarns
Salem	Tobacco and cigarette machine parts
West Norfolk	Industrial chemicals
Winchester	Apples
Other	Chemicals

WEST VIRGINIA

Cities	Commodities
Clarksburg	Brassieres
Dunbar	Enamelware
Huntington	Brassieres, chemical products, plumbing fittings
Martinsburg	Fabric manufactures, stockings
Nitro	Rayon yarns
Parkersburg	Oil field equipment, rayon yarns
Wheeling	Electric machinery, glassware, galvanized ware, metal products, tobacco products
Willow Island	Industrial chemicals
Other	Alloys, batteries, carbons, chemicals, electrodes, metals, plastics, steel manufactures

South Atlantic States

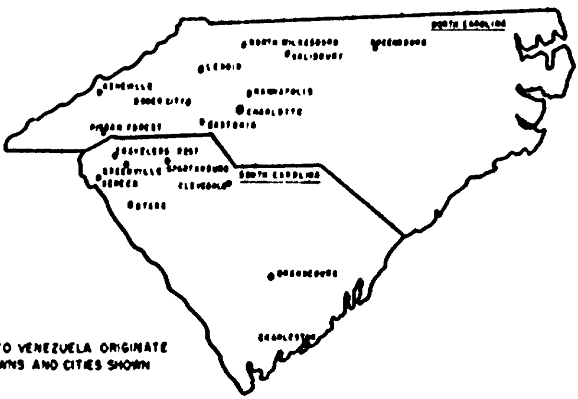
NORTH CAROLINA

Cities	*Commodities*	*Cities*	*Commodities*
Asheville	Mica	**Lenoir**	Crude herbs
Boger City	Cotton yarn, synthetic yarns	**North Wilkesboro**	Grinding mills
Charlotte	Textiles	**Pisgah Forest**	Paper products
Gastonia	Cotton yarn, tire cord	**Salisbury**	Cotton textiles
Greensboro	Cotton textiles	**Other**	Batteries, carbons, electrodes, hosiery, nylon and rayon
Kannapolis	Cotton manufactures		

SOUTH CAROLINA

Charleston	Mixed fertilizer	**Spartanburg**	Cotton textiles
Clevedale	Cotton textiles	**Starr**	Synthetic textile fabric
Greenville	Cotton textiles	**Travelers Rest**	Cotton textiles
Orangeburg	Plywood	**Other**	Cotton textiles, nylon and rayon
Seneca	Sportswear and foundations		

NORTH CAROLINA and SOUTH CAROLINA



EXPORTS TO VENEZUELA ORIGINATE IN THE TOWNS AND CITIES SHOWN

South Atlantic States

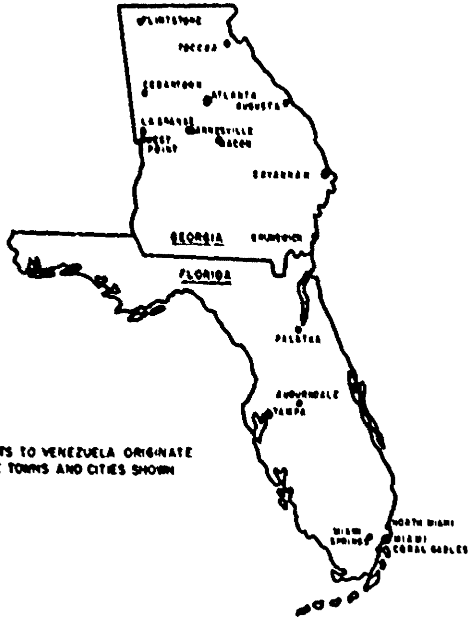
GEORGIA

Cities	*Commodities*
Atlanta	Cloth bags, electric machinery, steel and steel products, tarpaulin
Augusta	Machine threads
Barnesville	Tire fabric
Brunswick	Chemicals
Cedartown	Agricultural equipment
Flintstone	Cotton textiles
LaGrange	Cotton textiles
Macon	Acoustical materials, building materials, cotton textiles, industrial products, insecticides
Savannah	Chemicals, paper and products, petroleum products
Toccoa	Earth moving equipment
West Point	Cotton textiles
Other	Chemicals, drugs, herbs, nylon, rayon, spices

FLORIDA

Cities	*Commodities*
Auburndale	Agricultural equipment
Coral Gables	Marine communications equipment
Miami	Aircraft engines and parts, aluminum furniture, electronic equipment, hardware, lighting fixtures, machinery parts, paperboard, plastic tiles, tandem trailer for sugar mills, washing machines and parts, wood products
Miami Springs	Fishing tackles and reels
North Miami	Aluminum glass jalousies, windows
Palatka	Wrapping paper
Tampa	Metal containers
Other	Canned foods, chemicals, frozen orange juice

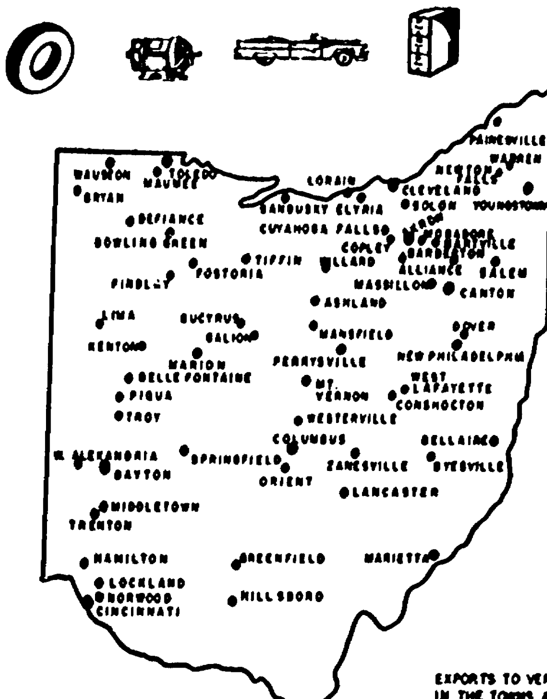
GEORGIA and FLORIDA



EXPORTS TO VENEZUELA ORIGINATE IN THE TOWNS AND CITIES SHOWN

East North Central States

OHIO



EXPORTS TO VENEZUELA ORIGINATE IN THE TOWNS AND CITIES SHOWN

East North Central States
OHIO

Cities	*Commodities*
Akron	Apparel, automatic tools and accessories, chemical specialties, dental supplies, rubber, rubber products, tires, tubes and camelback, tire vulcanizers
Alliance	Railroad car parts, steam boilers and tubes
Ashland	Pumps, rubber products, water systems and sprayers
Barberton	Industrial chemicals, steam boilers and tubes, toys
Bellaire	Enamelware
Bellefontaine	Metal furniture
Bowling Green	Engines, turbines and parts
Bryan	Aircraft parts, lubricating equipment
Bucyrus	Agricultural equipment, farm wagons, motor graders
Byesville	Metal products
Canton	Dental equipment, filing cabinets, gas and diesel engines and supplies, metal products, office equipment
Cincinnati	Auto parts, automatic tools and accessories, belts, edible vegetable oils and fats, electric tools, industrial machinery, lathes, office furniture, petroleum valves and fittings, plastics, playing cards, sporting goods, steel products, stoves, tinware, tires and tubes, toilet preparations, wood working machines
Cleveland	Agricultural machinery, air conditioners, arc welding machines, automotive accessories, automotive equipment, automotive parts, awnings and awning hardware (metal frames and fixtures), auto parts, beverages, cellophane products, ceramic and enameling materials, combustion controls and meters, concrete admixtures and coloring agents, conveying equipment, cotton duck, earth moving equipment, electric ranges, elevators, engineer construction equipment, garage equipment, gas ranges, gas welding and cutting equipment, greeting cards, hobby crafts, industrial chemicals, industrial tools, kerosene stoves, kitchen goods, latex products, lift trucks and parts, lighting equipment, medicinal and pharmaceutical products, metal furniture and umbrellas for garden and beach use, milling cutters, office appliances, paints, pigments, varnishes, pipe threading machines, printing and bookbinding machinery, reamers, screening equipment, sensitized materials, service station equipment, sewing machines, shock absorbers, steel and steel mill products, storage batteries, stoves, taps, tire
Cleveland cont'd.	vulcanizers, trucks and parts, twist drills, vegetable oil, seed milling machinery, venetian blind parts, water heaters, weldments, windows, wirecloth
Columbus	Aircraft, aluminum mouldings, auto hardware, ball bearings, cement equipment, dairy products, dental accessories, electric home appliances, electric kilns and furnaces, farm and garden tools, fluid drive, gas ranges, glass and products, glassware, hydraulic pumps, machinery, materials handling equipment, metal stamping, mining machinery, mountings for bronzed baby shoes, pipe, plastic houseware, plastic pipe and garden hose, refrigeration thermostats, soldering fluxes, stainless steel mouldings, stamping machines, steel rolling doors, sugar mill equipment, table oilcloth, tin cans, ventilating apparatus, zinc oxide
Copley	Plant food chemical
Coshocton	Rubber goods and houseware
Cuyahoga Falls	Trusses and surgical goods
Dayton	Air conditioners, autos and parts, clay-working machinery, compressors, electric motors, freezers, maps, books, magazines, stationery, office appliances, printing and bookbinding machinery, ranges, refrigerators, trucks and coaches, washing machines
Defiance	Automotive tools and accessories, belts, hand tools, tires, tubes
Dover	Galvanized ware, wall products, wall and ceiling panels
Elyria	Alloy castings, auto parts, pipe machines, tools
Findley	Porcelain products
Fostoria	Auto parts and accessories
Galion	Construction machinery, truck bodies
Greenfield	Marine and camping equipment
Hamilton	Paper and paperboard, water valves
Hartville	Solid rubber tires
Hillsboro	Food machinery
Kenton	Railroad cabooses
Lancaster	Glass and products, glassware
Lima	Funeral cars and ambulances
Lockland	Auto parts and accessories
Lorain	Construction, mining, and conveying equipment, kerosene stoves
Mansfield	Automotive tools and accessories, belts, pumps, ranges, stoves, tires, tubes
Marietta	Office appliances
Marion	Excavating equipment
Massillon	Metal products, steel trays
Maumee	Kitchen cabinets, bathroom fixtures

East North Central States

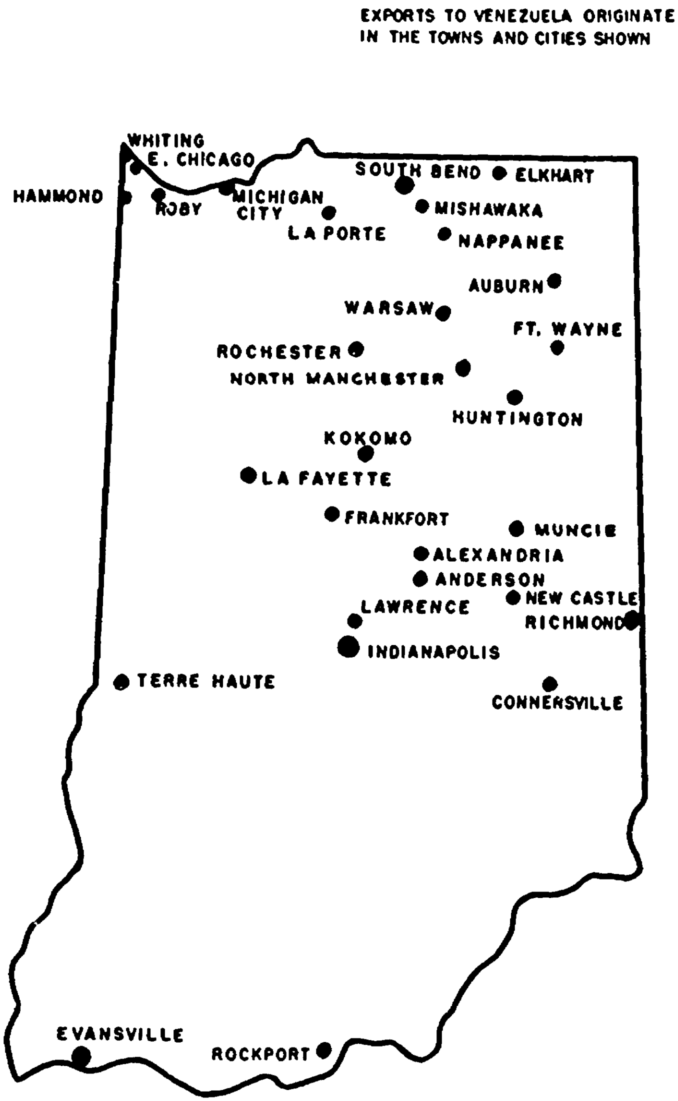
OHIO (continued)

Cities	Commodities
Middletown	Grain storage bins, paper and paper products, steel products
Mogadore	Automotive accessories, automotive tools, belts, tires, tubes
Mt. Vernon	Compressor cylinders
New Philadelphia	Enamelware
Newton Falls	Road building equipment
Norwood	Chemicals
Orient	Conveyors
Painesville	Chemical products
Perrysville	Steel products
Piqua	Steel tubing
Salem	Machinery, pumps
Sandusky	Electric machinery, paints, pigments, rubber balls, toys
Solon	Chain hoists
Springfield	Agricultural machinery, appliances, compaction equipment, industrial machinery
Tiffin	Plumbing and fixtures
Toledo	Aircraft manufactures, auto parts and accessories, closures, electric batteries, glass containers, glass products, industrial machinery, scales, scientific instruments, textiles
Trenton	Pumps
Troy	Agricultural sprinklers, furniture
Warren	Autos and parts, electric machinery, hand machinery, hand tools, road building equipment
Wauseon	Auto parts, electrical appliances, metal products
West Alexandria	Cutting machines, generators, welding equipment
West Lafayette	Enamelware
Westerville	Toy cap pistols and caps
Willard	Balloons, rubber gloves, toys
Youngstown	Aluminum office chairs, metal office furniture, metal products, steel filing equipment, steel office desks, steel products, steel tables
Zanesville	Transformers
Other	Agricultural machinery and equipment, alloys and metals, autos and parts, chemicals, construction machinery, kerosene stoves and gas ranges, paper, plastics, printing and bookbinding machinery, road building equipment, rubber household products, steam boilers, seamless and welded tubes, tires, tubes, belts and accessories, truck bodies, trucks and coaches

INDIANA

Cities	Commodities
Alexandria	Acoustical tile
Anderson	Air compressors, autos and parts, engine governors
Auburn	Water heaters
Connersville	Air conditioners, blowers, gas pumps, kitchen cabinets and sinks, radios, refrigerators, television receivers
East Chicago	Clay products, dehydration equipment, pulverizers, steel products
Elkhart	Agricultural sprayers
Evansville	Automobiles, construction machinery, farm machinery, plastic pipe, refrigerators and parts
Fort Wayne	Agricultural implements, gas pumps, liquid blending and filling machines, pumps, refrigerators and parts, trucks and trailers
Frankfort	Plumbers' brass fixtures
Hammond	Children's vehicles, railroad car parts
Huntington	Cleansers, disinfectants, soaps
Indianapolis	Automatic metering systems, beverages, biologicals, ceramic supplies, cotton and wool manufactures, diesel engine parts, electronic parts, medicinals and pharmaceuticals, motopatchers and accessories, motorcycle chains, paper and paper products, parts for asphalt plants, shoe polish
Kokomo	Autos and parts
Lafayette	Aluminum and manufactures
La Porte	Auto parts, pistons
Lawrence	Auto parts and accessories
Michigan City	Construction machinery
Mishawaka	Bearings, power transmission machinery, pulleys
Muncie	Insulators
Nappanee	Children's furniture
New Castle	Folding doors and parts
No. Manchester	Poultry equipment
Richmond	Bus bodies
Roby	Glucose
Rochester	Tubular steel scaffolding
Rockport	Bathroom equipment
South Bend	Agricultural equipment, aircraft carburetors, aircraft landing gear, auto parts and accessories, steel ranges, tractors
Terre Haute	Enamelware, industrial seals, pharmaceuticals, steel products
Warsaw	Surgical splints
Other	Agricultural machinery, autos and parts, chemicals and plastics, construction machinery, diesel engines and parts

INDIANA

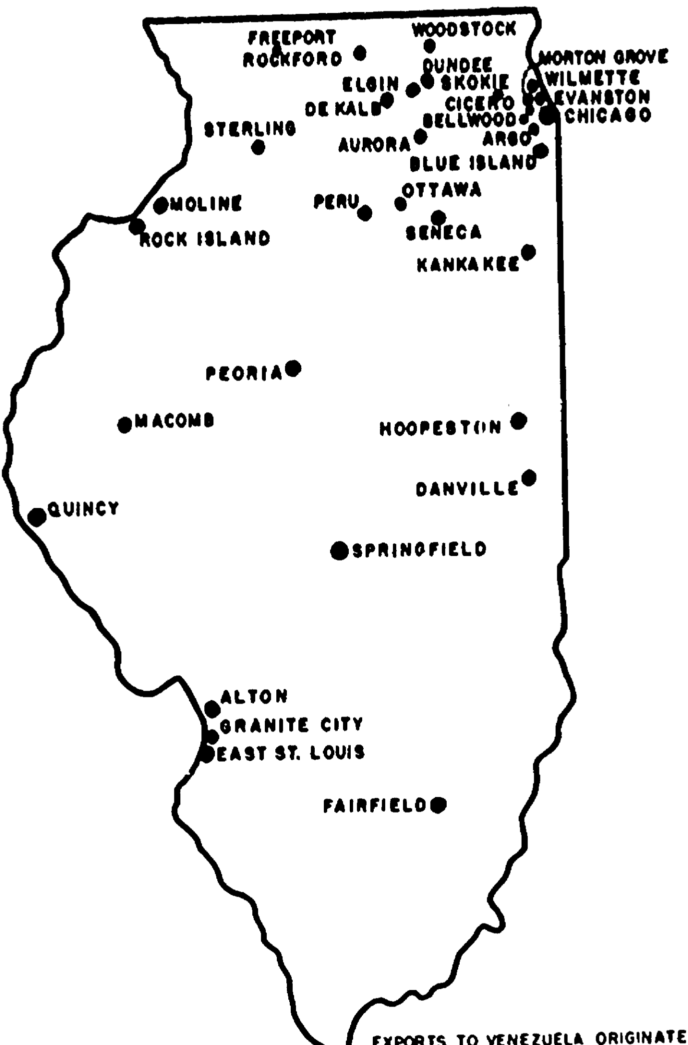

EXPORTS TO VENEZUELA ORIGINATE IN THE TOWNS AND CITIES SHOWN
WHITING
E. CHICAGO
HAMMOND
ROBY
MICHIGAN CITY
LA PORTE
SOUTH BEND
ELKHART
MISHAWAKA
NAPPANEE
AUBURN
WARSAW
FT. WAYNE
ROCHESTER
NORTH MANCHESTER
HUNTINGTON
KOKOMO
LA FAYETTE
FRANKFORT
MUNCIE
ALEXANDRIA
ANDERSON
NEW CASTLE
LAWRENCE
RICHMOND
INDIANAPOLIS
TERRE HAUTE
CONNERSVILLE
EVANSVILLE
ROCKPORT

East North Central States

ILLINOIS

Cities	*Commodities*
Alton	Flour
Argo	Corn products
Aurora	Construction machinery, conveying equipment, facial cream, steel furniture
Bellewood	Electrical equipment, ink, library paste, mucilage, rivets, riveting machines
Blue Island	Canned food
Chicago	Agricultural implements, air-conditioning controls, aluminum and manufactures, artificial sausage casings, auto parts, ball bearings, beverages, biological supplies, blackboards, bolts and screws, books, bottling machinery and parts, business machines, canned foods, ceramic enameling equipment, chalk, chemicals and chemical specialties, chewing gum, Christmas tree lights, check endorsers, communications equipment, compressors, cooking utensils, cosmetics, dairy products, dental supplies, desk items, dispensing equipment, electric appliances, electric machinery, electronic equipment and components, flexible shaft equipment, food, food serving equipment, funeral caskets and supplies, garden hose, geographic globes grain testing equipment, general merchandise and soft goods, grinders, imprinted business gifts, industrial machinery, industrial sewing machines, inks, iron and steel manufactures, juke boxes, laboratory apparatus, lawn sprinklers, leather products, magazines, manganese castings and welding rods, meat products, metal cans, metal products, movie cameras and projectors, musical instruments and accessories, office equipment and supplies, organs, paints and paint driers, perforators, pharmaceuticals, phonographs, photographic equipment, pin games, plumbing fixtures, precision castings, pneumatic controls, printed matter, printing machinery, pumps, radios, radio loud speakers, reproduction equipment, saws, scales, scientific instruments, signs, soap and toilet preparations, soft drink machinery, solder, stationery, steel chairs, steel products, sur-
Chicago cont'd.	gical dressings, tape recorders, television receivers, tools, toys, transformers, valves, vehicles and lifts, vending washing machines, water treating equipment, welding and cutting equipment, wheel chairs, wire products, writing instruments
Cicero	Electronic components, transformers
Danville	Chemical products
De Kalb	Pianos
Dundee	Ceramic lamps and artware, clay products
East St. Louis	Railroad car parts
Elgin	Compacts, cigarette lighters, dresser sets
Evanston	Metal products
Fairfield	Auto parts
Freeport	Electrical machinery
Granite City	Railroad car parts
Hoopeston	Food machinery
Kankakee	Car and floor wax
Macomb	Electrical porcelain
Moline	Agriculture implements, combines and farm machinery, industrial scales, tractors
Morton Grove	Pharmaceuticals
Ottawa	Chemicals and plastics
Peoria	Animal nutrition products, cranes, donkeys, earth-moving equipment, lift trucks, sulkies, tractors and tractor parts, winches
Peru	Clocks and watches, pre-plated metals
Quincy	Radios, television receivers
Rockford	Automatic controls, cereal products, electrical equipment, office equipment, over door hardware, textile machinery parts
Rock Island	Agricultural implements
Seneca	Chemicals
Skokie	Scientific instruments
Springfield	Steam generating equipment, tractors and graders
Sterling	Roller skates
Wilmette	Films
Woodstock	Typewriters
Other	Agricultural machinery, building materials, chemicals, construction machinery, musical instruments radios, transformers and electronic components, television receivers, toys, wheel chairs

ILLINOIS



EXPORTS TO VENEZUELA ORIGINATE IN THE TOWNS AND CITIES SHOWN

East North Central States

MICHIGAN

Cities	*Commodities*
Alma	Children's furniture
Alpena	Concrete products and machinery
Battle Creek	Metal products
Benton Harbor	Record changers
Big Rapids	Saw sharpening equipment
Birmingham	Coolers
Buchanan	Vehicles and parts
Coldwater	Ball and roller bearings, metal products, plumbers' brass fixtures
Detroit	Agricultural tractors, implements and spare parts, animal fats and oils, automobiles, parts and accessories, auto coaches, auto paints, bearings, brake lining, carburetors, chemicals, cookstoves, dental supplies, die cast pulleys, diesel and automotive engines, drugs and pharmaceuticals, electrical equipment, flexible couplings, flour, fluid drives, furniture hardware, glass and products, ignition parts, industrial machinery, marine engines, metal products, office machines and equipment, paints and pigments, paint manufacturing machinery, printing screens, pumps, rubber auto carpeting, salt products, shaft collars, springs, trucks, ventilating apparatus, water filters, wheat flour
Flint	Automobiles
Grand Rapids	Business machines, diesel engine parts, industrial conveyors, industrial machinery, metal products, office equipment, sweeping compounds
Greenville	Engine bearings, refrigerators
Hastings	Automotive parts, inclinable presses
Holland	Machine tools
Kalamazoo	Metal-working equipment, paper products
Lansing	Autos, auto parts and accessories
Ludington	Construction machinery, office appliances, wood products
Manistee	Vehicles and parts
Marquette	Iron and steel products, mining machinery
Mason	Nutritionals
Midland	Chemical products
Monroe	Auto parts
Mount Clemens	Electric ranges
Muskegon	Billiard tables, bowling alleys, cranes and hoists, laboratory furniture for educational institutions, petroleum dispensing equipment
Niles	Commercial refrigerators, rubber products
Plymouth	Air rifles and toy guns, office equipment, office machines
Pontiac	Autos and parts, coaches, trucks
Port Huron	Auto parts and accessories, brass rod and fabricated products, copper pipe and plumbing fittings, refrigeration tubing, valves
Rochester	Paper and paperboard
Saginaw	Autos and parts, coaches, trucks
St. Johns	Roller bearings
St. Joseph	Washing machines
Saranac	Insecticide sprayers
Sault Ste. Marie	Industrial gases and carbide
Three Rivers	Industrial machinery
Trenton	Industrial chemicals
Willow Run	Autos and parts
Wolverine	Toys
Wyandotte	Industrial chemicals
Other	Autos and parts, chemicals, diesel engines and parts, engine and roller bearings, trucks and coaches

WISCONSIN

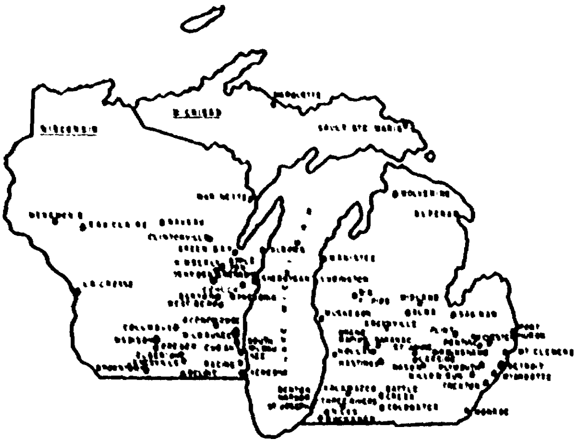
Algoma	Hammocks
Appleton	Welding equipment
Barton	Fiber conduit
Beloit	Diesel engines
Browntown	Powdered milk products
Clintonville	Powdered milk products
Columbus	Powdered milk products
Cudahy	Beverage machinery
Eau Claire	Outboard motors, pressure cookers
Edgerton	Cable reel trailers, earth boring machines
Fredonia	Concrete mixers
Green Bay	Furniture, power shovels
Janesville	Fountain pens
Kenosha	Automatic and hand tools, metal-working equipment
Kimberly	Paper products
Kohler	Plumbing equipment
La Crosse	Air conditioning and refrigerating equipment
Madison	Medical and hospital equipment
Marinette	Excelsior, fire extinguishing equipment, refrigerating equipment
Menasha	Paper and paper products
Menomonie	Ink

WISCONSIN (continued)

Cities	*Commodities*
Milwaukee	Agricultural equipment, auto engines and parts, bronze bushing stock, bronze handtools, bronze rod, tubing and sheet, bronze welding electrodes, centrifugal pumps, construction machinery, crushing plant, electrical installations, electronic controls, hardware, iron and steel, locks, machinery, metal products, steam boilers, tanning machinery and supplies, tractors, tubular steel scaffolding
Oconomowoc	Steel products
Oregon	Grain drills
Oshkosh	Engines, motors
Racine	Agricultural machinery, dairy products, implements and spares, air conditioners and radiators, tractors
Sheboygan	Enamelware, hospital ware, lawn mowers, stainless steel ware
So. Milwaukee	Construction machinery and parts, electric utility equipment
Wausau	Paper products
West Bend	Aluminum and manufactures
Other	Agricultural machinery, construction machinery, dairy products, paper products, road building machinery, wearing apparel

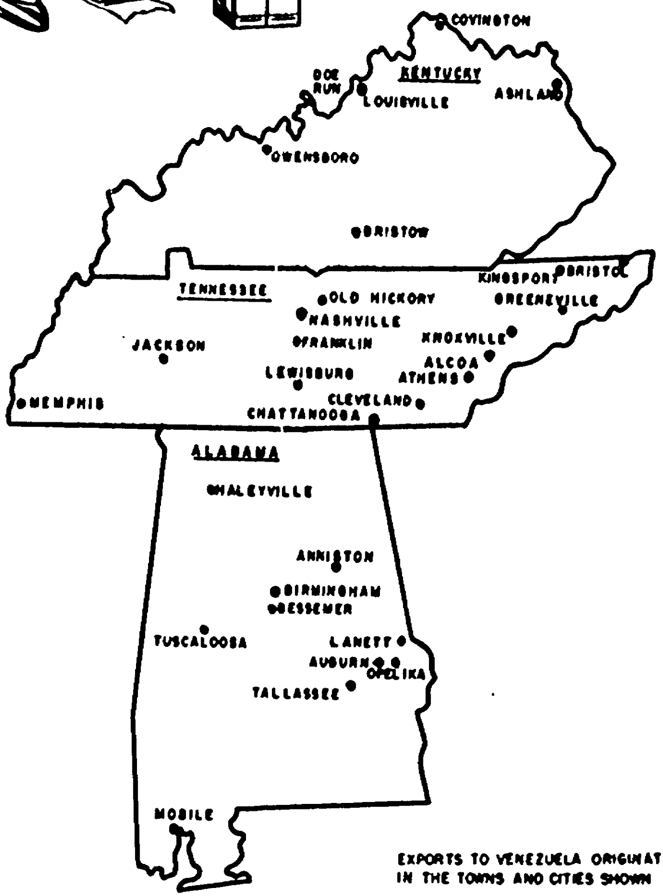
MICHIGAN and WISCONSIN

EXPORTS TO VENEZUELA ORIGINATE IN THE TOWNS AND CITIES SHOWN



East South Central States

KENTUCKY, TENNESSEE and ALABAMA



EXPORTS TO VENEZUELA ORIGINATE IN THE TOWNS AND CITIES SHOWN

East South Central States

KENTUCKY

Cities	Commodities
Ashland	Steel plate and sheets
Bristow	Herbs
Covington	X-ray apparatus
Doe Run	Industrial chemicals
Louisville	Aluminum cigarette foil, bedding machines, beverages, cutting machines, dry colors, generators, mattress machinery, paints and pigments, parts for heat exchange equipment, plumbing fixtures, steel products, welded pipe fittings
Owensboro	Farm ditchers
Other	Chemicals

TENNESSEE

Cities	Commodities
Alcoa	Aluminum and manufactures
Athens	Gas ranges
Bristol	Crude herbs, pharmaceuticals
Chattanooga	Automobile wreckers, cast iron fittings, cotton goods, garage equipment, power boilers
Cleveland	Gas and electric ranges
Franklin	Gas ranges
Greeneville	Electric machinery
Jackson	Wood manufactures
Kingsport	Chemical products, plastics, textiles
Knoxville	Diesel controls, thermostats
Lewisburg	Electric appliances
Memphis	Cereal products, concrete curing compound, confectionery items, cooling towers, cotton products, elevators, gas ranges, home remedies, rubber, service station lifts, tire valves, tube patches, vulcanizers, waterproofing powder and liquid
Nashville	Agricultural implements and spares, beverages, pencils
Other	Chemicals

ALABAMA

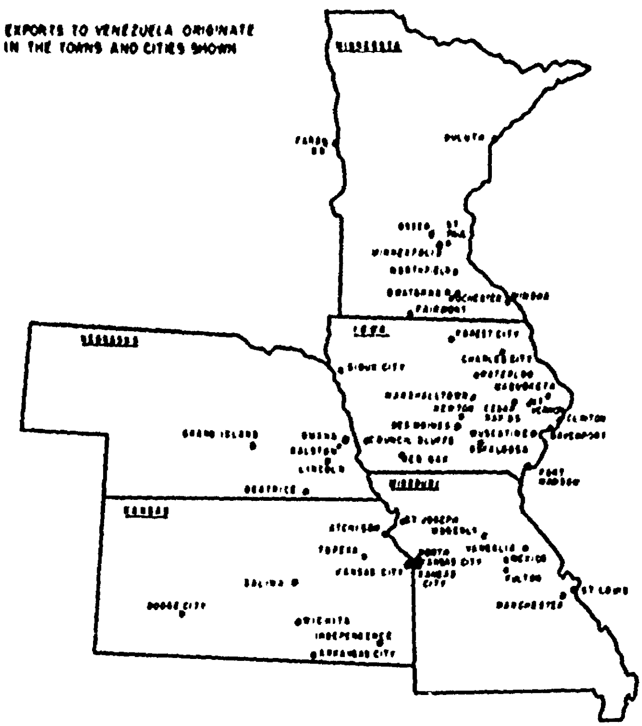
Cities	Commodities
Anniston	Cast-iron pipe and fittings, metal pipes
Auburn	Pallets
Bessemer	Cast-iron pipe, fire brick and clay products
Birmingham	Cast-iron pipe, cotton textiles, steel and steel mill products, storage tanks
Haleyville	Children's furniture
Lanett	Cotton textiles
Mobile	Cement making machinery and parts, insulation board, lumber and products, paper, paperboard and products, water filters
Opelika	Cotton textiles
Tallassee	Cotton products
Tuscaloosa	Rubber products
Other	Cotton manufactures, explosives, industrial chemicals

MISSISSIPPI

Cities	Commodities
Columbus	Aircraft electrical equipment, automotive electrical equipment
Kosciusko	Ambulances, bus bodies, funeral cars

West North Central States

MINNESOTA, IOWA, MISSOURI, NEBRASKA and KANSAS



West North Central States

MINNESOTA

Cities	*Commodities*
Duluth	Wheat flour
Fairmont	Engines, turbines, and parts
Minneapolis	Cereals, electric controls for air conditioning machinery, electric machinery, elevators, farm machinery, flour, grain and grain products, industrial machinery, jacks, laundry presses, lawn mowers, mining machinery, outboard motors, radios, television and parts, refrigerators, rosin, tools, tractor parts and accessories, welding equipment
Northfield	Construction machinery
Osseo	Pumps
Owatonna	Powdered milk products
Rochester	Dairy products
St. Paul	Cutting machines and generators, paper products, radios, television and parts, wheat flour
Winona	Cotton products
Other	Canned meats

IOWA

Cities	*Commodities*
Cedar Rapids	Cereals, steam boilers
Charles City	Agricultural machinery, poultry tonic, tractors
Clinton	Chemicals
Council Bluffs	Dairy products, eggs
Davenport	Agricultural implements and parts, motion picture projectors, wheat flour
Des Moines	Furnace equipment, maps, books, stationery, metal products, rubber
Forest City	Dairy products, eggs
Fort Madison	Fabrics, finishes
Maquoketa	Engines
Marshalltown	Water-treating equipment
Mount Vernon	Fluxes and solders
Muscatine	Beverage equipment, pumps
Newton	Electric appliances
Oskaloosa	Valves
Red Oak	Batteries, carbons, electrodes
Sioux City	Antennas and broadcasting towers, concrete pipe, conduit machinery, electric generator plants
Waterloo	Auto seat covers, construction machinery, tractors, wire-bound boxes
Other	Cereal products, chemicals, frozen foods

MISSOURI

Cities	*Commodities*
Fulton	Fire brick
Kansas City	Auto accessories, auto parts, battery chargers, compressed gases, engineering and construction machinery, furniture, grain storage installations, grinding media, oil field equipment, pectin, vending machines, wheat flour, wire rope and slings
Manchester	Wooden cribs
Mexico	Clay and products, refractories
Moberly	Tools
North Kansas City	Flour, paints and coatings
St. Joseph	Christmas tree lights
St. Louis	Advertising material, animal feed, auto parts, babbitt metal, bottle-washing machinery, boys' and men's clothing,
St. Louis cont'd.	brakes, brewing machinery and parts, bronze castings, calendars, cereals, conveyors, electric cable products, electric motors, engineering and construction equipment, flour, gas ranges, glass products, grain storage installations, houseware, incandescent and fluorescent lighting fixtures, industrial chemicals, ink, lead products, leather products, mechanical pencils, metal containers, metal household and commercial furniture, metal products, oil field equipment, pumps, refractories, scientific and professional material, shoes, slab zinc, thermostats, tinware, transformers, welding equipment
Vandalia	Clay products

West North Central States

NORTH DAKOTA

Cities	Commodities	Cities	Commodities
Fargo	Tire repair machinery		

NEBRASKA

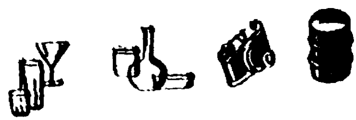
Beatrice	Agricultural implements	Omaha	Meat products
Grand Island	Dried and frozen eggs	Ralston	Power mowers and parts
Lincoln	Automobile vehicles, motorcycles, motor scooters		

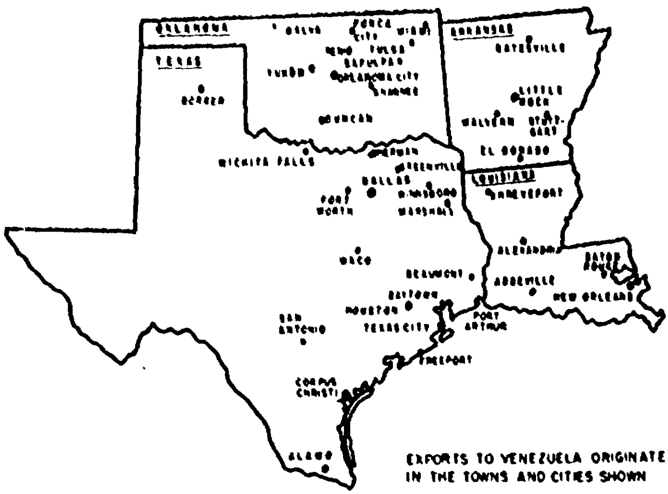
KANSAS

Arkansas City	Beverage equipment	Salina	Flour
Atchison	Moisture testers	Topeka	Flour
Dodge City	Grain loaders	Wichita	Aircraft parts, industrial equipment
Independence	Dishwashers	Other	Flour
Kansas City	Petroleum and products, pumps and oil field engines		

West South Central States

TEXAS, OKLAHOMA, ARKANSAS and LOUISIANA





EXPORTS TO VENEZUELA ORIGINATE IN THE TOWNS AND CITIES SHOWN

West South Central States

ARKANSAS

Cities	Commodities
Batesville	Propane truck tanks and equipment
El Dorado	Lubricating oil
Little Rock	Cameras, films
Malvern	Drilling mud
Stuttgart	Pumps

LOUISIANA

Cities	Commodities
Abbeville	Rice
Alexandria	Building materials, pine tar
Baton Rouge	Chemical products
New Orleans	Cement-making machinery and parts, cloth bags, corn products, cotton textiles and manufactures, dairy products, furnace equipment, hops, industrial chemicals, lead products, paper bags, petroleum products, plumbing fixtures, printers' ink, silverware, tarpaulins, wood products
Shreveport	Glass products
Other	Petroleum products

OKLAHOMA

Cities	Commodities
Alva	Flour
Duncan	Oil well machinery
Enid	Drilling rigs, equipment and spare parts, flour
Miami	Rubber products
Oklahoma City	Asphalt plants, flour, oil well drilling and fishing tools
Ponca City	Petroleum products
Sapulpa	Glassware
Shawnee	Flour
Tulsa	Chemicals, industrial machinery, oil derricks, relief valves, scientific instruments
Yukon	Flour

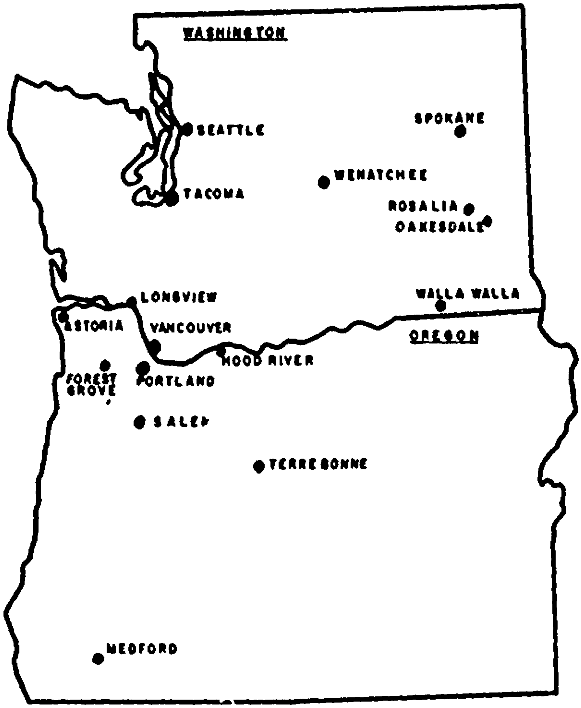
TEXAS

Cities	Commodities
Alamo	Plumbing fixtures
Baytown	Rubber products
Beaumont	Heat exchangers, oil well equipment, petroleum products, rice
Borger	Petroleum products
Corpus Christi	Agricultural machinery
Dallas	Drilling bits, flour, industrial machinery, steel products
Fort Worth	Aircraft parts, canned meat, petroleum products, water treating equipment
Freeport	Chemical cleaning compounds, industrial chemicals
Greenville	Wheat flour
Houston	Cement, chemical products, detergents, drilling mud, foodstuffs, glass products, industrial chemicals, industrial machinery, lead products, oil and gas separators, oil field and plant equipment, petroleum products, plumbing equipment, prefabricated buildings, publications, steel bars, wire products
Marshall	Chemical products
Port Arthur	Petroleum products
San Antonio	Road rollers, spare parts
Sherman	Fats and oils (vegetable and animal), fiber conduit, flour
Waco	Closures, glass containers
Wichita Falls	Flour
Winnsboro	Oil filter equipment
Other	Chemicals, drugs, plastics, spices

Mountain and Pacific States

WASHINGTON and OREGON

EXPORTS TO VENEZUELA ORIGINATE IN THE TOWNS AND CITIES SHOWN



Mountain and Pacific States

WASHINGTON

Cities	*Commodities*	*Cities*	*Commodities*
Longview	Paper and paper products	**Spokane**	Dried peas, seeds
Oakesdale	Peas	**Tacoma**	Chemicals, flour, lumber and timber products
Rosalia	Dry peas	**Vancouver**	Agricultural implements, paper products, sportswear and foundations
Seattle	Aluminum manufactures, apples, chemicals, construction machinery, fats and oils, flour and seed, food, ice cream machines and parts, lumber and products, paper and paperboard	**Walla Walla**	Flour
		Wenatchee	Apples, pears
		Other	Fruits

OREGON

Astoria	Cereals, flour	**Portland (cont'd)**	ber and products, mechanical automobile parking machines, paper and paperboard, paper products, peas, pears, petroleum products, structural steel, tractor parts
Forest Grove	Wood fiber products	**Salem**	Paper products
Hood River	Fruit	**Terrebonne**	Mineral fillers
Medford	Fruit	**Other**	Paper products
Portland	Apparel, apples, auto storage batteries, bean elevators, canned food, chemicals, construction machinery and parts, foodstuffs, fruit, grain elevators, lum-		

MONTANA

Missoula	Crude herbs

IDAHO

Moscow	Seeds

COLORADO

Denver	Agricultural implements, chemical products, industrial machinery, iron and steel manufactures, rubber hose, tires and tubes	**Golden**	Laboratory porcelain ware
		Pueblo	Fats and oils

NEVADA

Henderson	Chemicals

NEW MEXICO

Carlsbad	Chemicals

UTAH

Ogden	Flour	**Salt Lake City**	Flour

Mountain and Pacific States

CALIFORNIA

Cities	Commodities
Anaheim	Farm implements
Berkeley	Chemicals, deep well turbines, electric measuring instruments, liquid storage equipment, power woodworking machines, water pumps
Belmont	Industrial cleaning equipment
Burbank	Aircraft and parts, television antennas
Compton	Petro-chemical specialties, pipe perforators
El Centro	Seeds
El Monte	Detergents, industrial machinery
Emeryville	Transformers
Fontana	Iron and steel products
Fowler	Agricultural implements and spares, raisins
Fresno	Dried fruits
Gardena	Food products
Gilroy	Construction machinery
Glendora	Sprinklers for agriculture
Hawthorne	Meat and bone cutters, meat-cutting machinery
Hollydale	Metal fittings
Indio	Fruit
Inglewood	Aircraft parts
Lompoc	Mineral fillers
Long Beach	Metal products
Los Angeles	Aircraft hydraulic equipment, auto parts, bathroom accessories, beverages brass name plates, canned food products, carts, cement making machinery and parts, chemicals and products, combination ranges, sinks and refrigerators, desk-top equipment, electric batteries, food, heating and air-conditioning equipment, industrial chemicals, iron and steel, lathes, malt foods, metal products, motion picture cameras, motion picture and communications equipment, oil field and plant equipment, oil well engineering, paints and related products, petroleum products, pharmaceuticals, phonograph record compound, plumbing equipment, pumps, shop equipment, soap and toilet preparations, store display equipment, tire safety seals, truck parts, wheel chairs
Los Nietos	Oil tools
Lynwood	Automotive equipment
Mecca	Dates and date products
Niles	Plants, trees
Nipomo	Chemicals
North Hollywood	Sportswear and foundations
Oakland	Baby foods, business machines, industrial filters and supplies, mining machinery, ovens and burners, petroleum meters and pumps
Pacific Grove	Canning machinery
Pasadena	Pumps
Pomona	Paper and paper products, pumps
Redlands	Plumbing fixtures
Richmond	Canned fruits and vegetables, chemicals
Sacramento	Canned food
San Diego	Aircraft parts, ships, steel products
San Francisco	Auto parts, builder's hardware, canned foods, chemicals and products, construction machinery parts, electric machinery, electronic controls, fats and oils, fruit, hand tools, iron and steel, ladies wear, medical therapy equipment, metal products, oil burner equipment, paints and related products, petroleum and products, printers' ink, welding equipment
San Gabriel	Adding machines and multipliers, office appliances
San Jose	Food machinery, food products
San Leandro	Offset disc harrows
San Martin	Canned goods
Santa Ana	Agricultural implements and spares
Santa Monica	Aircraft parts and accessories
Sausalito	Synthetic fibers
South Pasadena	Scientific instruments
Sunnyvale	Canned food, tractors and earth moving equipment
Terminal Island	Metal containers
Torrance	Automotive service equipment, drill pipe protectors, plumbing fixtures
Trona	Borax, boric acid, soda ash, freon refrigerant, methyl bromide
Vernon	Chemicals
Westend	Chemicals
Whittier	Drilling bits
Woodland	Construction machinery
Other	Canned foods, chemicals, drugs, fruits, herbs, plastics, rayon piece goods, spices

CALIFORNIA


EXPORTS TO VENEZUELA ORIGINATE IN THE TOWNS AND CITIES SHOWN
WOODLAND
SACRAMENTO
SAUSALITO
RICHMOND
EMERYVILLE
SAN FRANCISCO
BELMONT
BERKELEY
OAKLAND
SAN LEANDRO
NILES
SUNNYVALE
SAN JOSE
SAN MARTIN
GILROY
PACIFIC GROVE
FRESNO
FOWLER
HENDERSON, NEV.
TRONA
WESTEND
NIPOMO
LOMPOC
NORTH HOLLYWOOD
BURBANK
PASADENA
GLENDORA
LOS ANGELES
SOUTH PASADENA
SAN GABRIEL
EL MONTE
LOS NIETOS
LYNWOOD
VERNON
HOLLY-DALE
POMONA
FONTANA
REDLANDS
SANTA MONICA
INGLEWOOD
HAWTHORNE
TORRANCE
COMPTON
GARDENA
ANAHEIM
SANTA ANA
WHITTIER
LONG BEACH
TERMINAL ISLAND
INDIO
MECCA
SAN DIEGO
EL CENTRO

Unclassified—United States

(THE FOLLOWING PRODUCTS ARE INCLUDED IN THE RETURNS OF THOSE COMPANIES WHICH COULD NOT FURNISH A BREAKDOWN OF THEIR SHIPMENT BY TOWN AND CITY OF ORIGIN)

Advertising novelties
Aerosol bombs
Agricultural implements
Air rifles
Aluminum and manufactures
Anesthesia gases
Antibiotics
Automobiles and parts
Automotive coaches
Ball bearings
Beverages
Biologicals
Books
Bottling equipment
Brassieres
Building materials
Butter
Cameras
Canned foods
Carbide
Carpets
Ceramic supplies
Cereals
Check signers
Chemicals
Cigarette cases
Cleaning cloths
Combines
Compacts
Cosmetics
Cotton
Cotton textiles
Cotton wicking
Cutting machines
Dairy products
Diesel engines
Drugs
Dyes
Eggs
Electric appliances
Electrical equipment and supplies
Electrical machinery
Electronic machinery
Enamelware
Engine bearings
Farm and garden tools
Farm machinery
Fats and oils
Felt
Film
Flavors
Food machinery
Frozen fish
Frozen foods
Fruit
Furniture
Generators
Glass products
Glucose
Grain and products
Grain drills
Grain testing equipment
Hardware
Herbs
Hosiery
Insecticides
Laboratory apparatus
Lamps and lighting equipment
Leather
Lithographic work
Lumber and products
Magazines
Manicure specialties
Marine and camping equipment
Metal products
Mining machinery
Moisture testers
Mops
Movie cameras and projectors
News features and comics
Nutritionals
Nylon fabrics
Office appliances
Office supplies
Oil field equipment
Onions
Paper and paper products
Pens
Perforators
Petroleum products
Pharmaceuticals
Pipe
Plastics
Plumbing goods
Potatoes
Powdered milk
Power plant equipment
Print screens
Pumps
Rayon textiles
Rayon yarns
Refractories
Reproduction equipment
Road-building machinery
Roller bearings
Roofing
Rosin
Rubber products
Rugs
Scales
Scientific equipment
Seat covers
Shaving materials and instruments
Shoe machinery and findings
Solder
Soap
Soft drink components
Spices
Sporting goods
Sportswear
Stainless steel ware
Stationery
Storage batteries
Surgical instruments
Tape recorders
Telephone wire
Textile machinery
Tire vulcanizers
Toilet goods
Toys
Tractors and parts
Tricycles
Trucks
Welders
Welding equipment
Wire and cable
Writing instruments
Zinc (slab)

Senator FREAR. I would like to have the record state that the chairman of the committee and other members of the committee have been absent this morning because of an important conference on the recently passed extension of the excise tax bill.

The committee will stand in recess until tomorrow at 10 o'clock.

Thank you, gentlemen, for being patient, and I should not forget the ladies.

(By direction of the chairman, the following is made a part of the record:)

CHAMBER OF COMMERCE,
Cedar Rapids, Iowa, June 17, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR: Your committee now has before it a bill to extend the Reciprocal Trade Agreements Act. This bill is designated as H. R. 12591.

In connection with this bill, we are taking the liberty of enclosing a copy of our letter dated March 5, 1958, addressed to the Honorable Wilbur D. Mills, relative to this bill. We are also enclosing copies of a resolution adopted by the foreign trade bureau of the Cedar Rapids, Iowa, Chamber of Commerce, the resident membership roster of the foreign trade bureau, and a brochure entitled "Foreign Trade and Cedar Rapids, Iowa."

Our position has not changed since the above letter was directed to Congressman Mills. We are still of the opinion that favorable passage of H. R. 12591 without crippling amendments will be in the best interests of our national economy.

We urge the favorable passage of this bill by your committee.

Respectfully yours,

T. A. PARKS,
Chairman, Foreign Trade Bureau.

CHAMBER OF COMMERCE,
Cedar Rapids, Iowa, March 5, 1958.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives.

MR. CHAIRMAN: The Cedar Rapids Chamber of Commerce, representing 40 firms and industries directly or indirectly engaged in foreign trade, strongly feels that it would be detrimental to the Nation, and to Cedar Rapids, should Congress fail to extend the Reciprocal Trade Agreements Act of 1934.

Working within the framework of this act, the United States has increased its markets abroad, through reciprocally lowering tariff and trade barriers and liberalizing trade regulations, and occupying millions of our labor force.

Congress must recognize that it is to the vital interest of the American people that restraints on the free flow of international trade be kept to a minimum and protective measures be regarded as exceptions to be individually dealt with as provided by this law. Nations and peoples buying from the United States must also sell to the United States, necessarily demanding a mutually beneficial two-way international trade. World trade is a necessary factor for world stability and peace, and United States leadership in the field of economic foreign policy must be maintained for the sake of the free world, lest we drive our free nations to turn to Russia as a customer and supplier. This places in the hands of communism the potential to govern the involved nations economic well-being by either becoming their chief market, orientating their economy toward the communistic bloc, or refusing to offer this market, preferring to encourage economic collapse and consequently paving the way for dissatisfaction, infiltration, and eventual political domination.

The United States foreign economic policy should be designed to facilitate the sound growth and development of commerce with other friendly countries, to expand their productive capacity, to increase their ability to earn foreign exchange and to repay loans, lessening their need for direct United States Government financial aid. Simultaneously we must further increase our volume of exports and imports, which surpassed $30 billion annually in 1956, to preserve this important economic keystone of our peace, prosperity, and welfare. This difficult dual-purpose program cannot be properly directed without well-defined legislation, a function which has been beneficially served in a proven manner by the Reciprocal Trade Agreements Act.

It must be further recognized that the growth of the European Common Market will present the United States with a solid front with whom we must be prepared to intelligently and constructively bargain over a long-term period. This Economic Community will necessarily diminish the bargaining position of the United States, creating a need which must be met under competent guidance of a firm long-range policy, as dictated by the Reciprocal Trade Agreements Act. Failure to clearly indicate our position and abilities to enter long-term agreements with such an economic front can bring undesirable reciprocal effects unparalleled in United States history, potentially creating a third international bloc closed to our volume commerce.

A view that the Reciprocal Trade Agreements Act has not been beneficial ignores the facts. The remarkable increase in trade from $3.8 billion in 1934 to $32.5 billion in 1957 has created substantial benefits, not the least of which is the 4.5 million workers who derive their jobs directly from foreign trade. In Cedar Rapids, exporting 25 to 35 million dollars in goods each year, foreign trade creates a job for 1 out of every 10 people engaged in industry. In many areas of the United States, Cedar Rapids included, any significant slackening of this foreign trade would be multiplied in scope by its adverse effect on those serving the direct recipients of income from foreign trade. The extent of this is impossible to measure, but the level of prosperity existent in these areas under present conditions gives loud voice to the success of reciprocal trade. Discontinuance of the act means destroying our established rules in American foreign trade, rules which establish essential protection procedures as well as benefit that large segment of our economy desirably affected by the expansion of foreign trade.

As it is with the Nation, so it is with Cedar Rapids, Iowa, whose workers and families realize that foreign trade has helped to give them their high effective buying power of $5,334 annually, after taxes. Cedar Rapids is generally believed to be the largest per capita tonnage exporting city in the United States and, recognizing the paramount importance to the Nation and the world of a continuance of the reciprocal trade program, expresses serious concern with a move to turn the clock back to a tariff program that would restrict trade and undermine our economic and political position in world trade.

We solicit the Congress of the United States to authorize a 10-year renewal of the reciprocal trade agreements program beyond June 30, 1958, and to endorse constructive changes in its operating provisions in the direction of trade liberalization.

T. A. PARKS,
Chairman, Foreign Trade Bureau.

SUMMARY RESOLUTION

Whereas the heart of our foreign trade policy, the Reciprocal Trade Agreements Act, inaugurated in 1934, has been successful in promoting international trade throughout the world, and resulted in record levels of United States exports and imports as well as progress and prosperity in friendly foreign nations through a greatly expanded worldwide exchange of goods, and

Whereas working within the framework of the reciprocal trade agreements program, the United States has increased its markets abroad by reciprocally lowering tariff and trade barriers and liberalizing trade regulations, and

Whereas it is to the vital interest of the American people that restraints in free flow of international trade be kept to a minimum and protective measures be regarded as exceptions, and

Whereas world trade is a necessary factor for world stability and peace and United States leadership in the field of economic foreign policy must be maintained for the sake of the entire free world, and

Whereas it is recognized that nations and peoples buying from the United States must also sell to the United States and this necessarily makes for mutually beneficial two-way international trade, and

Whereas the United States foreign economic policy is to facilitate the sound growth and development of commerce with other friendly countries, to expand their productive capacity, to increase their ability to earn foreign exchange and to repay loans, and to lessen their need for direct United States Government financial aid, and

Whereas the total United States volume of exports and imports surpassed $30 billion annually in 1956 and is a keystone to our own peace, prosperity, and the welfare of our citizens, and

Whereas Cedar Rapids, Iowa is an important trading area where $25 million in manufactured goods and agricultural products is exported annually and 10 percent of the labor force either directly or indirectly earn their livelihood by foreign trade, and which city is generally believed to be the largest export city in the United States on a per capita basis, and

Whereas it is of the utmost importance that the gains made in world trade under the reciprocal trade agreements program be consolidated and expanded, and

Whereas to assure continuance of this beneficial and productive program it is necessary to rally all citizens to join in an effort to preserve this law when it comes up for renewal next year in Congress, and

Whereas Cedar Rapids, recognizing the paramount importance to the Nation and the world of a continuance of the reciprocal trade program, expresses serious concern with the move to turn the clock back to a tariff program that would restrict trade, and undermine our economic and political situation in world trade: Be it therefore

Resolved, That the Foreign Trade Bureau of Cedar Rapids, an organization dedicated to world trade and understanding, hereby requests Congress to authorize a 10-year renewal of the reciprocal trade agreement program beyond June 30, 1958, and endorses constructive changes in its operating provisions in the direction of trade liberalization.

TOM PARKS,
Chairman, Foreign Trade Bureau, Cedar Rapids Chamber of Commerce.

Approved by the board of directors, Cedar Rapids Chamber of Commerce.

LOU P. BOUDREAUX, *President.*

JANUARY 17, 1958.

FOREIGN TRADE AND CEDAR RAPIDS, IOWA

Prepared by Foreign Trade Bureau, Chamber of Commerce, Cedar Springs, Iowa

The United States is the world's greatest trading nation. No other nation on earth comes close to having the dollars and cents stake in foreign trade that this Nation has. The foreign trade of the United States is an integral part of the economic life of the Nation.

As it is with the Nation, so it is with Cedar Rapids, Iowa. Lying in the heart of what was once the Nation's isolationist belt, Cedar Rapids is vitally aware of the increasing importance of foreign trade to its own economic welfare. Its workers and their families realize that foreign trade has helped to give them their high effective buying power of $5,334 annually, after taxes.

A recent national survey estimated that 7 percent of the total labor force in the Nation depended directly upon foreign trade for a livelihood. In Cedar Rapids 1 out of every 10 persons gainfully employed, or 10 percent of our labor force, either directly or indirectly earn their livelihood by foreign trade. It is generally believed that on a per capita tonnage basis, Cedar Rapids is the largest export city in the United States.

Cedar Rapids products are sold in most all countries of the world exclusive of the Iron Curtain ones. As the British Empire of old, the sun never sets on products manufactured or processed in Cedar Rapids. Export managers from Cedar Rapids industries periodically are in Africa, South America, Central America, Europe, Asia, Australia, and the various islands on business.

Cedar Rapids is internationally known as one of the world's largest producers of highway and airport construction machinery. It has the largest cereal plant in the world, Quaker Oats Co., and one of the largest electronic companies, Collins Radio Co.

Daily the assembly-line men in Cedar Rapids see their machines—rock crushers, power cranes, radio transmitters—with tickets on them indicating they are destined to Ceylon, Pakistan, Venezuela, Cuba, and the Belgian Congo.

Even the farmers in the Cedar Rapids area are realizing that a share of their present income is derived from the exportation of such local agricultural products as corn, cornmeal, popcorn, oat flour, cereals, prepared feeds, meat products, and lard from Cedar Rapids.

Manufactured products from Cedar Rapids destined to all parts of the world include such items as:

Mechanic hand tools
Navigation equipment
Sensitized photographic paper
Television boosters
Fertilizers
Tractors
Air conditioners
Pharmaceuticals
Precast concrete joints
Grain-milling machinery
Pressure embalmers
Passenger elevators
Radio transmitters and receivers
Machine chassis parts
Earth-moving machinery
Refrigerators
Limestone spreaders
Power cranes
Drag lines
Piston grinders
Meat tenderizers
Plumbing goods
Asphalt plants
Trampolines
Gymnastic equipment
Creamery machinery
Belt conveyors
Spark plug insulators
Seeders
Rock-crusher plants

Latest information indicates that 49 Cedar Rapids firms, listed below, are engaged either directly or indirectly in foreign trade:

Acme Greeting Card Co.
Acme Oil Burner
Allis Chalmers Manufacturing Co.
Amana Refrigeration, Inc.
Barnard & Leas Manufacturing Co.
Bruchner Machine Co.
Cargill, Inc.
Cedar Rapids Block Co.
Cedar Rapids Engineering Co.
Cedar Rapids Tool & Die, Inc.
Cherry Burrell Corp.
Collins Radio Co.
Corn King Co., Inc.
Dearborn Brass Co.
Divine Engineering Co.
Electric Specialty Manufacturing Co.
Gordon Fennell Co.
Hawkeye Rubber Manufacturing Co.
Henderson Manufacturing Co.
Highway Equipment Co., Inc.
Intelectron, Inc.
Iowa Manufacturing Co.
Johnson Gas Appliance Co.
Kilborn Photo Co.
Lattner, P. M. Manufacturing Co.
Lefebure Corp.
Link Belt Speeder Corp.
Machine Products Co.
Maney, Paul, Laboratories, Inc.
Metal Crafters
Midland Industries
Midwest Specialty Co.
National Oats Co.
Nissen Trampoline Co.
Pal Engineering Co., Ltd.
Penick & Ford Ltd., Inc.
Pickwick Co.
Quaker Oats Co.
Rapids Equipment Co.
Scott, Norman, Co.
Seal Tight Corp.
Steel Products Co.
Thomas Manufacturing Co.
Transport Trailers, Inc.
Tucker Manufacturing Co.
Turner Co., The
Universal Engineering Corp.
Vigortone Products, Inc.
Willmac Instrument Co.

These firms export approximately $25 million annually in manufactured and processed goods to all parts of the world.

Last year the chamber of commerce validated certificates of origin to 100 foreign countries:

Aden
Alaska
Algeria
Angola
Argentina
Australia
Austria
Bahama Islands
Bahrein Islands
Belgian Congo
Belgium
Bermuda
Bolivia
Brazil
British Guiana
British Honduras
British Malaya
Burma
Canada
Cape Verde Islands
Ceylon
Chile
Colombia
Costa Rica
Cuba
Curaco
Cyprus
Denmark
Dominical Republic
Ecuador
Eire
Egypt
Ethiopia
Fiji Islands
Finland
Formosa
France
French Equatorial Africa
French Indo China
French West Africa
Germany
Greece
Greenland
Guam
Guatemala
Haiti
Hawaii
Holland
Honduras
Hongkong
Iceland
India
Indonesia
Israel
Iran
Italian East Africa
Iraq
Jamaica
Japan
Kenya
Kuwait
Labrador
Liberia
Lebanon
Martinique
Mexico
Morocco
Mozambique
Netherlands
Netherlands New Guinea
Netherlands Indies
New Zealand
Northern Rhodesia
Norway
New Caledonia
Nicaragua
Newfoundland
Pakistan
Panama
Panama Canal Zone
Paraguay
Peru
Philippine Islands
Portugal
Puerto Rico
Rhodesia
Ruanda-Urundi
Salvador
Sao Tome
Saudi Arabia
Scotland
Siam
Spain
Surinam
Sweden
Switzerland
Syria
Tangier
Thailand
Trinidad
Tunisia
Turkey
Union of South Africa
United Kingdom
Uruguay
Venezuela
Virgin Islands (United States)
Yugoslavia

The importance of foreign trade to Cedar Rapids is emphasized by the positive steps taken by its civil and business leaders to encourage and develop overseas trade. In 1947 they organized and set up a foreign trade bureau within the framework of the chamber of commerce. This bureau is unique in Iowa in that it is the only one of its kind. It assists Cedar Rapids firms with their export problems, sponsors monthly foreign trade dinner meetings, validates certificates of origin and promotes better understanding of the importance of foreign trade in our national and local economic life.

RESIDENT MEMBERS, FOREIGN TRADE BUREAU OF THE CEDAR RAPIDS CHAMBER OF COMMERCE

INDUSTRIAL

Allis Chalmers Manufacturing, 2020 First Avenue NE.: John Eggert, Clifford Parmatier
Amana Refrigeration Co., Amana, Iowa: Walter Wendler
Barnard & Leas Manufacturing Co., 1234 12th Street SW.: George Smith
Cargill, Inc., 1010 10th Avenue SW.: N. D. Bendickson
Cedar Rapids Engineering, 902 17th Street NE.: Duane Plattner, George Irwin
Cherry Barrell Corp., 2400 6th Street SW.: V. V. Bartlett
Collins Radio Co., 855 35th Street NE.: T. A. Parks, R. R. Schenken
Divine Engineering Co., Highway 218 SW.: Howard E. Divine
Gordon Fennell Co., 444 Dows Building: Gordon Fennell, John Baker, Albert N. Brouwer
Highway Equipment Co., 616 D Avenue NW.: Cliff Jordon
Iowa Manufacturing Co., 916 16th Street NE.: Frank D'Aquila, Leo Thomsen, William Rankin, Robert E. Wood
Kilborn Photo Paper Co., 2011 First Avenue SE.: Cliff Jordon, Ralph Atherton
P. M. Lattner Manufacturing Co., 1411 Ninth Street SW.: B. P. Lattner
Lefebure Corp.: 716 Oakland Road NE.: Robert Bradley
Link Belt Speeder Corp., 1201 Sixth Street SW.: Edward Preston, H. R. Langridge
Paul Maney Laboratories, 400 First Street SE.: Mrs. Paul Maney, William Sedlak
National Oats Co., 1551 H Avenue NE.: Gordon Simons
Nissen Trampoline Co., 215 A Avenue NW.: George Nissen, Robert Bevenour, Kurt Baechler
Penick & Ford, Ltd., First Street and 10th Avenue SW.: John Murray, Oga Anderson
Quaker Oats Co., 400 Second Street NE.: William A. Vaughn, Floyd Thompson
Transport Trailers, 1234 12th Street SW.: George Smith
Universal Engineering, 625 C Avenue NW.: V. E. Hansen, Dan Peters

TRANSPORTATION

Chicago & Northwestern R. R., 326 1st Avenue NE.: C. P. Johnson
Canadian National R. R., 803 American Building: E. J. Lee
Cedar Rapids-Iowa City R. R., Security Building: Glen Norton
Illinois Central R. R., 120 Fifth Avenue SE.: John Oliver, Jack Gorman, Blanche Swatosh
Railway Express Agency, Union Depot: Mell O'Donnell
Rock Island Lines, 201 Fifth Avenue SE.: Walter Okerlund
Union Freightways, 1000 16th Avenue SW.: Robert Gilliatt
Waterloo Railroad, 840 10th Street NE.: Robert Blinn
Western Transportation Co., 2100 16th Avenue SW.: Herman Helms, Thelma Boegel

CIVIC AND BUSINESS

Cedar Rapids School System: Miss Lydia Hrubish
Coe College, 1220 First Avenue NE.: Dr. R. C. Spencer
Chamber of Commerce: Robert Caldwell, Harold Ewoldt, Richard Petska, Donald Myers, Fred C. Jones
O'Dea Finance Co., 613 Third Avenue SE.: C. F. Kris

THE MARITIME ASSOCIATION OF THE PORT OF NEW YORK,
New York, N. Y., June 23, 1958.

Re Trade Agreements Extension Act of 1958 (H. R. 12591).

Hon. HARRY FLOOD BYRD,
Chairman, Committee on Finance, United States Senate, Washington, D. C.

DEAR SENATOR BYRD: The Maritime Association of the Port of New York respectfully urges the Senate Committee on Finance to give favorable consideration to the above-captioned measure, which would continue the authority of the President to enter into trade agreements until June 30, 1963. The interest of our association in this measure is set forth herein. We respectfully request that this communication be recorded as a part of your committee's proceedings in this connection.

Our organization is a membership trade association organized in 1878, comprised of approximately 1,500 individuals representing firms engaged in the maritime industry at the port of New York. The firms represented consist of shipowners and agents, freight forwarders, marine insurance organizations, shipbuilding and repairing concerns, stevedoring companies, towing and transportation organizations, and every other type of service required in order to facilitate the movement of waterborne cargoes. In serving the various firms which are represented in our organization, it would be fair to state that we indirectly represent perhaps 90 percent of all persons at the port of New York who are occupied and gainfully employed in processing the transfer of waterborne commerce at New York. Thus our entire constituency is vitally interested in the future of the Nation's trade program, and we respectfully submit that the failure on the part of your honorable committee to recommend the extension of the Trade Agreements Act, or on the part of Congress as a whole to continue the President's authorization to enter into trade agreements would have a direct harmful impact upon a very great multitude of gainfully employed citizens. It may be stated that there are approximately 1 million people in the New York port area who are directly engaged in, and whose livelihood depends upon the employment and functions which result directly from port activities, and from the extension of encouraged free trade.

It has been estimated that 1 out of every 4 persons in the New York port area are directly or indirectly affected by New York port activities. Without the extension of the pending Trade Agreements Extension Act, it is self-evident that the amount of economic harm that could result to this segment of the Nation's populace would be monumental.

For your information, our industry, i. e., the maritime industry, is at the present time experiencing a recessional period at least comparable to that of other industries in the Nation. Frequent articles have appeared in the public press concerning a worldwide shipping slump. Our Nation and nations of the world friendly to us, constituting the vast bulk of the world's mechant marine, are in the daily process of laying up commercial vessels, while the declared Soviet offensive moves forward.

We sincerely believe that the failure to endorse friendly trade principles would be a source of great encouragement to the Soviet trade offensive, and that it would be a source of great discouragement to the nations of the world friendly toward us, who depend in large measure on trade with us for their economic survival.

There is also a national defense aspect which should not be overlooked, inasmuch as it has long been agreed that the merchant marine constitutes an important arm of our defense. Without an encouraged foreign-trade program, the American merchant marine and the merchant marine of friendly nations will be forced to recede and to disintegrate in substantial measure.

We respectfully submit that selfish isolation principles should not be permitted to prevail at this time when the overall national interests so clearly tip the scales of justice in the direction which dictates the favorable consideration of this important measure.

Respectfully submitted.

WILLIAM F. GIESEN,
General Manager and Counsel.

THE NATIONAL ASSOCIATION OF STEVEDORES,
New York, N. Y., June 23, 1958.

Re Trade Agreements Extension Act of 1958, H. R. 12591.

Hon. HARRY FLOOD BYRD,
Chairman, Senate Committee on Finance,
Washington, D. C.

DEAR MR. CHAIRMAN: The National Association of Stevedores respectfully urges that the Senate Finance Committee give favorable consideration to the above-captioned measure, which would continue the authority of the President to enter into trade agreements until June 30, 1963. The interest of our organization and the reason for our position in this regard is submitted herewith. We respectfully request that this communication be made a part of the record of the committee's proceedings.

The National Association of Stevedores is a trade organization comprised of over 100 member firms engaged in the business of stevedoring throughout the United States. Member firms of our organization fall into various categories, i. e., they are either independent contractors, subsidiary organizations of shipping companies or in some instances direct steamship companies. It is important to understand that in all instances our constituents are engaged in the executive function of loading and discharging approximately 15,000 vessels plying the world sea routes and serving the interests of the Nation's waterborne commerce throughout the various ports of call in the United States. It is estimated that between one hundred and fifty and one hundred and seventy-five thousand men, known as longshoremen, are gainfully employed by these stevedoring concerns in order to process the cargo handling of the vessels arriving and departing in this country. This multitude of men are gainfully employed and earn a total annual wage of approximately $750 million.

Inasmuch as the function of this industry is, as stated above, loading and discharging vessels, it is obvious that any diminution in the quantum of foreign trade, whether import or export, will have a direct harmful economic impact on all engaged in this industry. The failure on the part of Congress to extend the reciprocal trade program would lead to large unemployment and financial difficulty in our industry.

Prescinding from our personal interests, we urge you to consider two facets of this question which we believe would seem to clearly impel your honorable committee to report favorably on this measure at the earliest possible moment. These considerations are as follows:

It has long been recognized that the merchant marine of any nation and the integrated services required to handle waterborne cargoes constitute an important segment of national defense. Any action or omission by Congress calculated to permit the disintegration of these services at a time when we are struggling with the problem of assuring survival of the American way of life, would appear to be drastically opposed to the overall welfare of the Nation. We submit that the abandonment of free trade principles at this historic time must be calculated to bring about such a harmful result.

In conclusion, and again divorced from any partisan interest, we respectfully submit, the failure to extend the reciprocal trade program, at this time, would be a source of the greatest encouragement to the openly declared Soviet trade offensive. We sincerely believe that it must be evident that trade constitutes a most essential part of the basic concept of foreign aid. We believe that the honor, dignity, and respect of nations friendly toward us is largely dependent on their ability to earn their way in the world rather than to be the mere subjects of outright charity. Trade isolation by the United States and the continuation of mere aid will, we submit, only humiliate those friendly toward us and eventually alienate friendships we enjoy and must so heavily count upon in the cold war of survival.

Respectfully submitted.

WILLIAM F. GIESEN,
Executive Director.

STATEMENT OF ALVIN SHAPIRO, VICE PRESIDENT, AMERICAN MERCHANT MARINE INSTITUTE, INC.

The American Merchant Marine Institute is a trade association of steamship owners and operators representing some 50 United States-flag companies which constitute a majority of the entire American merchant marine. Our members operate tankers, freighters, and passenger ships on all coasts of the United States, into and out of virtually every major world port. Some also engage in our domestic deep-sea trades.

It is a privilege, for which we are grateful, to express our vigorous support for the extension of the reciprocal trade agreements program. Our views on this subject are, of course, in large part similar to others from whom you have heard representing particular commodities or the service industries.

One vital difference, however. Foreign trade is overwhelmingly our daily diet and for many of our companies, their only diet. American-flag ships, unlike those of most nations, are by tradition, economics, or statute, unique in that they virtually consistently serve only American trades. Increased traffic on sealanes which does not touch our shore does not enter the holds of American ships. For this reason, virtually all of our major companies have created trade development departments. Their endeavor is to apprise shippers of both export and import opportunities presently unknown to them or unexploited by them. Steamship management personnel overseas as well as those at home are dedicated to this task. While the motives in so doing are clearly aimed at the improvement of the individual company's economic welfare, we have in the process become partners of other segments of our economy in factory, farm, and mine, participating directly or indirectly in foreign trade. For these reasons, we have necessarily come to be students of the issues now before this committee.

One additional point related to the foregoing which is of particular significance to the maritime industry. Developing new markets or maintaining established ones is far from a simple process. Many considerations are involved, not the least of which is the creation of reasonably stable trading conditions. Stability in meaningful proportions is seriously handicapped if our fundamental tariff policy is in serious question. One of the severest blows that could be struck at the American merchant marine's vessel modernization program (at present, in excess of $3 billion worth of new vessel construction is in view) would result from the rejection by Congress of the extension of the reciprocal trade agreements program. This surely would be interpreted by our customers and suppliers overseas as the end of an era of international trading cooperation. It would lead ultimately to entirely new patterns of international trade, the effect of which could be disastrous to our fleet and our national maritime policy.

Further, so that you may judge the experience with which we speak, it should be emphasized that no other American industry, to our knowledge, deals so consistently in a truly international market, meeting on every voyage, foreign competition of the most serious nature.

This perhaps requires some explanation. If an American industry (or individual producer) found that 15 or perhaps 25 percent of its domestic market was being satisfied from sources abroad, it would surely consider itself facing severe competition. The American maritime industry, however, now finds that not 25 percent, not 50 percent, but almost 80 percent of American demand for foreign trading shipping service is satisfied through the use of foreign bottoms. We know what foreign competition means.

The timeliness of the proposal for extending the reciprocal Trade Agreements Act manifests itself at once. Daily the press informs us of the tremendous concern in and out of the Congress with the growing army of unemployed. This has recently reached over 5.1 million—a record level since 1941. At the same time we are informed that 4.5 million jobs are created by our foreign trading activity. While some issue has been generated by the use of the word "created," we certainly feel that there is no question that at least 4.5 million Americans earn their livelihood because of our world trading activity. Actually, in our opinion, this latter figure is conservative. Our own experience in evaluating direct and indirect employment generated by the American merchant marine (in excess of a quarter of a million) leads us to conclude that this type of analysis is not subject to precise statistical determination, and estimates thereof reasonably prepared tend to be conservative.

The significance of our export trade to this country's total economy is perhaps more accurately, if less dramatically, revealed in the attached table. It depicts the significant portion of our total production of movable goods which enters into the export market, presently almost 10 percent. We would call your attention particularly to the last column and the relation, though not necessarily causal, between the peaks of our production prosperity and the changing level of exported portions of total production through the years past.

It is important to remember that part of our economic activity and employment in world trade is created under Government-generated programs of economic and military assistance and surplus disposal. I feel quite certain that every member of this committee is hopeful that these noncommercial activities will diminish over the years and ultimately totally disappear. With this diminution or disappearance will go the livelihood of some of these 4.5 million persons, unless in place of the vacuum thus created there is developed normal commercial trade of equal or greater volume. It is, therefore, particularly at this moment of recession, especially necessary that we seek not only to maintain our present level of private export trade but actually augment that activity. No instrumentality of lesser total economic cost is available to us for this purpose than the reciprocal trade program.

It is apparent that organized labor recognizes this fact, as can be evidenced by the unanimous backing given the pending legislation by the AFL-CIO at its recent convention.

There are, however, many who would hope that our export volume can be maintained or even increased without maintaining our doors open to the goods of foreign nations through reciprocal trade. They urge that we forget the lessons of our past and move back a quarter century in time, before we learned, much to our sorrow, that a rigid and inflexible trade policy with a minimum of world trade was disastrous to American interests including the American maritime industry.

As proponents of the program, we are mindful that since its birth in 1933, the prime motivation for the program has had differing emphasis as the years moved on. Originally, purely dedicated to creating more trade in the midst of severe economic depression, it became closer allied, in the early postwar period, to overcoming the stifling effect of dollar shortages overseas. These shortages dictated that foreign nations reduce their spending for our merchandise. Clearly, in addition to foreign-aid considerations, the soundest and most direct way we could overcome the frustrated demands for our goods abroad was to purchase more from overseas.

Today, the reciprocal trade program, while still deeply rooted in many respects in what motivated its earlier support, has again shifted emphasis. The survival of western culture and traditions make it more necessary than ever to coordinate our trade policy and practices with our friends and allies abroad, both real and potential. This has been clearly recognized by the nations constituting the European Common Market.

We firmly believe that, sputniks notwithstanding, our Nation's stature as well as the cornerstone of world peace and democratic unity, are menaced today by the potential of Russia's new economic policies. Khrushchev publicly called it "a war on the United States in the peaceful field of trade." We dare not, by jettisoning the reciprocal trade program, announce to the free world that we dismiss that threat by leaving the arena of commercial international exchange.

Since the close of World War II, ours has been a bipartisan, consistent and not inexpensive policy of creating closer economic ties with freedom-loving peoples overseas so that they could turn their backs on international communism. Frankly, we know of no basis on which you can soundly reverse that philosophy. Yet, a failure to extend the reciprocal trade program, which is now an intimate and necessary part of that policy, would be just such a reversal.

While we are ever mindful of the American maritime industry's stake in the extension of the reciprocal trade program, we appreciate that an expanded import volume may require local adjustments in communities and industries meeting foreign competition. Our import volume last year of $13 billion was some $6 billion below our exports. But of that $13 billion import volume, virtually $11 billion was in goods totally noncompetitive with United States production, while $2 billion was in materials in mild or severe competition with United States products. We feel that reasonable safeguards against the aforementioned potential injuries are contained in the proposal before you. Moreover, we are certain that if additional safeguards are reasonably required, they will be provided.

Most of all, however, we cannot overemphasize that the greatest protection against such injury is the built-in self-adjustment which takes place in an overall expanding economy through increasing domestic purchasing power. The potential loss of domestic purchasing power which would be created by the failure to produce for a substantial export market offers us no solution. If you limit, by rejecting reciprocal trade, the expendable element of the domestic economy our world commerce affords, you may require fewer, minor "local" adjustments to foreign competition. By the same token, you will require more, major and nationwide adjustments to the disastrous effects of a declining export market. To be forced to attempt the latter under any circumstances could be dangerous. In the face of today's economic situation it may well prove catastrophic.

United States production of movable goods and the proportion exported

[Value in billions of dollars]

Year	Agricultural	Manufactures	Mining	Domestic freight	Total	Exports, United States merchandise	Exports as percent of total
1929	12.9	30.6	4.9	5.1	53.5	5.2	9.6
1933	6.2	14.0	2.1	3.1	25.4	1.7	6.6
1937	11.1	25.2	4.3	4.3	44.9	3.3	7.4
1939	9.2	24.5	3.8	4.2	41.7	3.1	7.5
1946	27.2	59.5	7.1	7.4	101.2	10.0	9.8
1947	30.6	74.4	9.6	9.2	123.8	15.2	12.2
1948	34.7	82.0	12.3	10.8	139.8	12.6	9.0
1949	29.3	75.4	10.6	10.0	125.3	12.0	9.5
1950	31.3	89.8	11.9	11.6	144.6	10.1	7.0
1951	36.6	102.1	13.5	12.9	165.1	14.9	9.0
1952	35.7	109.2	13.4	13.3	171.6	15.0	8.8
1953	32.6	121.7	14.4	14.0	182.7	15.7	8.6
1954	32.3	116.9	14.0	12.6	175.8	15.0	8.5
1955	31.5	132.0	16.0	14.3	193.8	15.4	8.0
1956	31.6	138.0	17.3	15.1	202.0	19.0	9.4
1957 [1]	31.6	143.0	18.3	15.5	208.4	20.7	9.9

[1] Preliminary.

Source: U. S. Department of Commerce, Exports in Relation to United States Production, 1956, World Trade Information Service, pt. 3, No. 57-36.

BOSTON, MASS., *June 24, 1958.*

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee:

Were it not necessary to leave for Europe, I would request permission to testify before your committee on behalf of the President's reciprocal-trade program. Please refer to my testimony before subcommittee of House Ways and Means, December 18, 1957, and before House Ways and Means on March 12, 1958, because I believe that dividing the free world economically by trade barriers makes more difficult international political problems and mutual security. I urge the President's program be passed without crippling amendments. Specifically, I recommend we continue to reduce trade barriers, including tariffs, and that the President's trade-agreements authority be extended at least 5 years, with authorization to reduce rates, as requested by the administration. I strongly believe a liberal trade policy will contribute greatly to economic well-being of our people and those throughout the free world, and wish to have my position filed for the record of your committee.

THOMAS D. CABOT.

GALVESTON, TEX., *June 23, 1958.*

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR BYRD: The purpose of this letter is to express my support for H. R. 12591 as passed by the House of Representatives. I wish this year's renewal of the Trade Agreements Act could be much stronger than what that bill provides. H. R. 12591 is the least we can do in the field of foreign-trade policy. I strongly oppose any more weakening amendments—especially the substitution of a 3-year extension for a 5-year extension.

From every standpoint, there is a real need this year for a Trade Agreements Act that measures up to the reality of the challenge the Nation faces, both from the Soviet economic threat and from the fast-moving pace of economic developments in the free world itself. In the face of that challenge, even the kind of trade-agreements legislation passed in 1955 would not be adequate. It is nothing short of fantastic that, after nearly 25 years, the program of trade liberalization is still fighting for its life and that now, of all times, the threat to is continuation in a viable form is greater than it has ever been.

Why is this so? One might think that the American economy and the free-enterprise system that made it great were on the skids and did not have what it takes to move upward and onward to ever-rising standards of living. It certainly must look that way to our friends abroad. If more restrictive foreign-policy legislation is the decision of the Congress this year, the rest of the world has every right to say, among other things, that the American free-enterprise system isn't all it's cracked up to be. If the American economy cannot afford a policy of trade liberalization, who can? The result of import restrictions would be harmful division in the free world at a time when the free world ought to be united in its waging of cold war with the Soviet bloc.

To pass trade-policy legislation more restrictive than provided in the House bill would be a disservice to the American people, a tragic misreading of what it is that makes the American economy tick, a totally inaccurate portrayal of the dynamics of our free-enterprise system, and an irresponsible act when seen against the Nation's foreign-policy needs in economic, political, and military terms.

The bill you have before you is, in many respects, a forward step in the direction I believe we ought to be moving. I refer specifically to the 5-year extension and the proposed negotiating authority for the President. However, the proposed shift from 1945 to 1934 as the base year in escape-clause action is most unfortunate. I feel that the present trade-agreements program is loaded with enough baggage of weakening amendments, as it is, without another weakening amendment tacked on. I am amazed to find that even this bill—which keeps intact all the weakening amendments of the past and adds a new one of serious proportions—is, itself, in jeopardy.

To say that this bill is in jeopardy is to say that the economic underpinning of free-world unity is in jeopardy, that an expansion of our vitally important export trade is in jeopardy, that our effort to keep in step with the emergency of customs unions in Europe and elsewhere is in jeopardy, and that an important part of our program to meet the Soviet threat is in jeopardy.

There is no justification for restrictive trade policies when one considers all these things that are at stake. There is, in fact, no basis for a restrictive trade policy when one considers the fundamental economic strength of our country.

I quite agree the Nation should do everything it can to lift itself out of the recession in which we now find ourselves. But import restrictions are a hindrance to this objective, not a remedy. Nor are they the way to meet the basic problems of those few industries—or, I should say, those few companies—that are able to prove that their problems are caused, in whole or in part, by import competition. Methods that are more sound and more effective ought to be used. Even where import restrictions bring temporary relief, we must not overlook the impact of such a policy on the rest of the American economy, both immediate and for years to come.

The Nation needs a stable foreign-trade policy that accurately reflects the capabilities of our free-enterprise system. The bill before you—H. R. 12591—is the minimum needed to meet that standard.

With best wishes, I remain,

Yours very truly,

HARRIS L. KEMPNER.

STATEMENT OF R. W. BISSONNETTE, OF STANDARD CARD CLOTHING CO., STAFFORD SPRINGS, CONN., PRESIDENT OF THE CARD CLOTHING MANUFACTURERS ASSOCIATION

This statement is made on behalf of the Card Clothing Manufacturers Association, whose members manufacture 90 to 95 percent of the card clothing made in the United States. (Card clothing is a specialized product used in the manufacture of textiles. It is decribed more fully below.) At the outset, we acknowledge that the economic strength and military security of the United States depend in part upon the economic health of other free nations, and that depends in part upon vigorous, two-way trade among nations. Such trade cannot be attained if unreasonable tariff barriers are erected by any one nation.

It is equally true, however, that a small group of industries whose products are essential to the national defense exists. The demand for these products can, however, in time of peace, be met entirely by imports. Protection must, therefore, be provided for these industries by tariffs, or the national-defense program will be severely weakened. The manufacture and sale of card clothing is such an industry.

Card clothing is so called because it is used to cover, or clothe, parts of carding, napping, or brushing machines that come in contact with fibers and textiles. Carding machines straighten, comb, and otherwise prepare textile fibers for spinning into yarn. Napping or brushing machines raise the ends of fibers in manufactured cloth. Card clothing must be used with fibers of all kinds, natural (including asbestos) and synthetic. Card clothing consists of wire teeth inserted in a foundation of cotton, wool, or linen cloth or into felt, rubber, leather, or combinations of these products. Card clothing is, in other words, a belt with metal bristles at distances from one another that vary according to the use to be made of the clothing. The overall demand for card clothing is not great, but textile manufacturers must have a continuous supply. New textile machinery must have card clothing, and that on existing machines must be replaced from time to time as it wears out.

The card-clothing industry is not only relatively small; it is also highly specialized with respect to machinery, personnel, and materials. Machinery to manufacture card clothing, called card-setting machines, is specially made. If any existing machines were to be scrapped as a result of financial difficulties in the industry, they could not be replaced quickly from sources in this country. They would have to be specially built, probably with great difficulty in finding parts and materials.

The problems of specialized personnel could be even more critical. Card setters, who operate the card-setting machines, must be trained for the work for from 3 to 5 years. In addition, setters must have the proper temperament to become competent in the work. It is estimated, on the basis of industry experience, that, of each 100 trained machinists, only about 10 will become successful toolmakers, and, of these 10, only 1 is capable of mastering the trade of card setting. Thus, any decline in the industry that would bring about a loss of skilled personnel, or discourage the entry of replacements for men who retire, could injure the industry almost irreparably.

In similar vein, the materials used to make card clothing are highly specialized and are available from few sources. There are only 2 sources of supply for foundation materials and 2 major sources for card wire. Any decline in the industry could result in the drying up of these sources of supply, with corresponding difficulties in trying to revive them during a national emergency.

A defense emergency could, past experience indicates, increase the demand for card clothing in the United States by 50 percent. This increase would result partly from stepped-up production in the textile industry, and partly from conversion by many textile mills from one product to another. Conversion of a carpet mill to the production of blankets, for instance, would require the installation of a different type of card clothing. The industry must, then, be kept in a healthy condition so that it can meet the responsibilities that would be imposed on it by an emergency.

Past trade agreement concessions granted by the Government on card clothing have already jeopardized the industry by permitting imports that can be sold at prices below those at which the product can be manufactured in this country. The following table will show the decline in domestic production and the increase in imports of card clothing:

	Domestic production (association members)		Imports	
	Square feet	Dollar value	Square feet	Dollar value
1957	1,381,012	6,701,891	315,684	781,936
1956	1,531,179	7,393,110	265,143	615,369
1955	1,374,519	5,887,553	189,939	409,974
1954	1,119,461	4,839,527	151,553	311,827

In 1957, the square feet imported was 22.85 percent of the amount produced by the association's members, and the dollar value of the imports was 11.66 percent of the dollar value of the domestically produced product. The value of the imports was $2.477 per square foot, and that of the domestic product was $4.85 per square foot. These figures speak eloquently for themselves.

We realize that the question of revisions of reciprocal trade agreements and tariff rates is not before the committee. We have, however, gone into some detail in stating the nature of our industry and giving production and import figures so that you may better understand the need for strengthening the peril-point, escape-clause, and national-defense provisions of the Reciprocal Trade Agreements Act.

We approve the manner in which H. R. 12591 requires more extensive hearings than does the present law in the peril-point and national security provisions, and the greater authority given the Tariff Commission in connection with escape-clause investigations. We ask, however, that authority be vested in Congress to overrule the President by a majority vote if he does not accept the findings of the Commission under the peril-point and escape-clause provisions. We also ask that section 8 of H. R. 12676, relating to imports that threaten to impair the national security, be substituted for section 8 of H. R. 12591; and that the President's authority under the reciprocal trade measure be extended for 2½ rather than 5 years.

This statement is submitted on behalf of the Card Clothing Manufacturers Association, the membership of which includes the following manufacturers of card clothing:

American Card Clothing Co., Fall River, Mass.
Ashworth Bros., Inc., Fall River, Mass.
Benjamin Booth Co., Philadelphia, Pa.
Charlotte Manufacturing Co., Charlotte, N. C.
Davis & Furber Machine Co., North Andover, Mass.
Howard Bros., Manufacturing Co., Worcester, Mass.
Merrimack Card Clothing Co., Andover, Mass.
Standard Card Clothing Co., Stafford Springs, Conn.

All but one of these companies (Davis & Furber Machine Co.) are engaged only in the production of card clothing. Two domestic manufacturers are not members of the association. They are Redman Card Clothing Co., Andover, Mass., and Belton Bros. Card Clothing Co., Gastonia, N. C.

Respectfully submitted,

R. W. Bissonnette,
President, the Card Clothing Manufacturers Association.

Wilbur-Ellis Co.,
San Francisco, Calif., June 30, 1958.

Mrs. Elizabeth B. Springer,
Chief Clerk, Committee on Finance,
Senate Office Building, Washington, D. C.

Dear Mrs. Springer: I am writing this letter to express my support for H. R. 12591, the bill to extend the Trade Agreements Act for another 5 years. My support is based on a conviction that such a renewal and the negotiating authority the bill authorizes are essential if we are successfully to cope with the many new and rapid developments that are taking place and will be taking place in the countries with which we do business.

The Nation's foreign trade policy, to have any meaning in the world of today, must be based on the premise that expanding export business is vitally important to the growth of the American economy; that expanded exports under private auspices requires expanded imports under private auspices unless Government is to be expected to pick up the tab for an increasing volume of the business we must do with the rest of the world.

If one assumes the premise of a growing economy—a premise which I am sure you and the other members of the Senate will accept—then one must conclude that a world trade policy in the national interest is one that promotes the Nation's two-way trade. It is much easier for people to understand the benefits to the American economy from exports than from imports. The growing dependence of a growing economy on imports of raw materials in order to supplement the depleting, higher cost supplies from domestic sources is one of the facts of life gradually dawning on public awareness. What is not so clear to the general observer is the benefit to be gained from competitive imports—manufactured or in raw-material form.

Competition and the response to competition are among the most important factors contributing to the development of the American type of free enterprise system and to the rapid growth of our economy. Competition from within our country and from outside producers stimulates new ideas and new methods. The American consumer benefits, and the servicing of his needs and appealing to his choice are an essential part of the dynamics of the American economy as we know it. Imports are also the most important source of the dollars foreign nations need to finance the purchases they make in our country.

Exports are of vital importance to large numbers of American producers in both industry and agriculture. The importance of export business as a prop to many of our industries during a period of recession in our economy was evident in the recessions of 1953-54 and 1957-58.

Thus preservation of the gains we have made in developing our country's foreign trade and recording even greater achievements in that direction should be the objectives of a trade policy in the national interest. A recent development which is cause for serious concern to all who want to preserve and improve our country's position in world trade is the evolution of the European Common Market and the indications of similar arrangements in other areas. In view of the timing of the European Common Market, a 5-year extension of the Trade Agreements Act is necessary for a businesslike effort on our part to try to negotiate downward the external tariffs of those western European countries in phase with the cuts that will be made in the internal tariffs affecting trade within the area. Anything less than a 5-year extension would either confront our negotiations with the expiration of the act in the middel of their negotiations, or would leave the executive branch, as well as the countries with which we trade, with little confidence as to the course of our trade policy. The pace of developments abroad is much too rapid for us to resort to the short-term hrenewals we have had in the past. Such renewals do not provide the flexibility and confidence indispensable for businesslike decisions in foreign trade—whether by Government or those engaged in foreign trade.

H. R. 12591 is not in every respect the kind of bill we would have preferred as the way most effectively to promote United States foreign trade. But on the whole it will permit us to continue in meaningful form a trade policy that has proved its value for the past 24 years. We therefore urge the Senate to support at least that kind of renewal this year.

Very truly yours,

BRAYTON WILBUR, *President.*

FEDERATED DEPARTMENT STORES, INC.,
Cincinnati, Ohio, June 30, 1958.

Senator HARRY FLOOD BYRD,
Chairman, Committee on Finance,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: As a retail merchant for well over 50 years, I wish to submit for inclusion in the record this statement in support of the Trade Agreements Extension Act of 1958.

I am chairman of the Board of Federated Department Stores, Inc., a corporation that has 10 divisions operating department stores located largely in the eastern and southern parts of the United States. These stores include Abraham & Straus, Bloomingdale's, Milwaukee Boston Store, Burdine's, Filene's, Foley's, Lazarus', Sanger's, Shillito's, and nine smaller stores in the western part of the United States which are operated under the name of Fedway. For the most part, these stores are locally managed and sell everything from lawnmowers to jewelry, ready-to-wear and fine foods. Many of my associates in management and my own family have been retailers for generations and we are proud of our long service to the American consumer.

The debate over tariffs and reciprocal trade has been carried on almost exclusively from the point of view of producers—those who fear injury from competitive imports and those who are seeking additional markets for their products abroad. Strangely enough, there has been hardly a word about the interests of the American retailer and the American consumer. Not everyone is engaged in manufacturing, but every member of the American public is a consumer. I feel certain that your committee will want to give careful consideration to the interests of consumers and retailers.

Every American purchaser from retail stores has a stake in reciprocal trade. In the first place, failure to pass the Trade Agreements Extension Act would make it difficult for consumers to purchase many products which now contribute greatly to their way of life at home and at work. In my grandfather's day, over a century ago, American families of ordinary income enjoyed little variety and choice in their food, dress and household furnishings. Today the American family's standard of living is enriched and augmented by products from all over the world as well as America. In the Federated stores we sell French wines, Swedish silver, tropical foods, Italian leather products, English tweeds and woolens, and fabrics and rugs from the Orient. We sell these things not to the rich alone, but also to the average family. For such products have become a part of the new America in which more and more people have been able to demand more than the bare essentials of living.

The interests of consumers do not stop at variety of choice and quality. Consumers are vitally interested in price. We should never forget that tariffs are a tax which takes money out of the consumer's pocket. The consumer pays this tax whether or not he personally buys imported goods. For all too often the price of domestically produced goods may be maintained at an artificially high level because of tariffs which prevent effective competition. The consumer is forced to subsidize a small minority of marginal American producers. This tax on consumers deprives them of substantial purchasing power, thereby reducing the overall volume of retail sales. In more down-to-earth terms, tariffs take spending money out of our pockets at a time when American producers all wish they could locate a little more of that spending money.

Consumers also benefit from the maximum degree of competition and competitive ingenuity on the part of retailers. Competition, both as to price and as to quality, is greatly enhanced when retailers have the whole world's goods to select from. Imports challenge the skills of the creative merchant, and give him a better chance to deliver what the consumer wants at the price the consumer wants to pay. Bloomingdale's, the Federated store in Manhattan, may send its buyers to Italy to seek cheaper and better leather goods, while a competitor is trying to outdo us by discovering goods in another country. The ultimate result is an invaluable service to the consumer who gets more to choose from on the retail shelves.

Imports stimulate consumer spending. In this way, they have a beneficial effect on the economy as a whole. In my experience, many imported goods have no real American substitutes, and are not directly competitive with American goods. Foodstuffs such as tea and cocoa, specialty items such as European handwork, and many imported manufactured goods are distinctive, and do not necessarily represent to the buyer a choice between a foreign and an American product. The dollars which buyers spend for such imports might otherwise not be spent at all. Imports, in short, increase the flow of goods and money in this country. I do not have to tell you that the well-being of our economy depends, not on production in an abstract sense, but on the flow of goods—the rate of business activity. The faster money circulates, the more all of us have and can spend. Additional dollars spent, even if their immediate purpose is to repay foreign manufacturers, are nevertheless additional dollars circulating in our economy, and the very act of spending them creates new income, new jobs, new purchasing power for American products. And, in point of fact, the import business is a substantial part of our business at the present time.

Nor should we forget the 1½ million American jobs created directly by imports—work in transporting imported goods and work in finishing unprocessed or semiprocessed foreign goods. The money spent on imports that goes to these American workers is used by them to purchase American services and goods. In this way too imports create new markets for our manufacturers.

American retailers are also interested in exports. Advocates of high tariffs would have us wall ourselves in as if we feared the ability of our sellers to compete with the rest of the world. But the fact of the matter is that the United States is the greatest exporting country in the world, and our exports greatly exceed our imports. The present recession has not resulted from production difficulties. In large measure it has come because we, the retailers, cannot find enough customers in this country for the great volume of goods our manufacturers produce. When markets fail, retailers are the first to suffer, and when they are hurt, the shock eventually reverberates around the whole economy. Retailers know first hand that we need reciprocal trade with foreign lands to insure our own prosperity.

I understand that the present trade agreements bill deals only with tariff rates and does not address itself to the problem of customs simplification. Retailers find that the burden of tariffs derives from the onerous details of tariff procedure as well as from the effect of tariffs upon prices. I hope that your committee will, at an appropriate time, address itself to this problem as well.

I thank you for the opportunity afforded me to present these views to the Committee on Finance, and I reiterate that prompt enactment of the Trade Agreements Extension Act for 5 years will be strongly in the interest of the American consuming public.

Very truly yours,

FRED LAZARUS, Jr.,
Chairman of the Board.

LOS ANGELES, CALIF., *July 1, 1958.*

Senator HARRY BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.:

Having recently served 2 years as Assistant Secretary of Commerce for International Affairs and also having served in variety of offices for American private industry during recent years claim responsibility knowledge reciprocal trade program and its importance to our economy. In interest of continued healthy expansion American business and industry and to create new jobs for growing population and toward extending United States prosperity into future years vigorously urge approval Extension Trade Agreements Act as provided H. R. 12591. Personally consider 5-year clause extremely important. After traveling in 82 foreign countries working in several, am convinced foreign nations trading with United States need minimum 5 years as basis for planning and developing sound trade patterns. Sincerely believe 5-year extension will work strongly to United States advantage in making equitable mutual profitable trade possible. For the record.

Respectfully,

H. C. MCCLELLAN,
President, Old Colony Paint & Chemical Co.

BANK OF AMERICA,
San Francisco, Calif., June 30, 1958.

Hon. HARRY F. BYRD,
Chairman Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR CHAIRMAN BYRD: Acting in the role of an interested private citizen I would like to make known to the Senate Finance Committee my unqualified support of the Trade Agreements Extension Act of 1958 (H. R. 12591) in the form in which it was overwhelmingly passed by the House of Representatives on June 11, 1958.

It is my sincere belief that the passage of this act, without further amendment, is in the best interests of our Nation as a whole. This belief is based on many years of experience as a banker, and in particular as an international banker with wide opportunities to observe firsthand the effectiveness of the reciprocal trade agreements program in past years.

On March 11, 1958, I appeared before the House Ways and Means Committee and outlined in some detail my reasons for supporting the reciprocal trade agreements program, as well as my answers to some of the criticism which has been directed against the program. I prefer not to burden the records of the Senate Finance Committee with a repetition of my testimony and therefore respectfully direct the attention of your committee to my earlier statement which is now a part of the record of the House hearings on this bill.

In this connection it would seem appropriate that the Senate Finance Committee recognize the volume of testimony both for and against the bill presented before the House and Ways Committee. These hearings and those recorded at the time of earlier extensions of the act contain repeated affirmations of the basic considerations involved. It is suggested that your committee refer to this record and that it should, to the greatest extent possible, avoid duplicating this procedure again.

It is recognized that the purpose of holding hearings on pending legislation is to give those most concerned an opportunity to express their views. In the case of the Reciprocal Trade Agreements Act, however, virtually every citizen is concerned. Because they are not organized and because they are indirectly affected millions of Americans would not be heard regardless of how long and how extensive congressional hearings might be. As I am sure you are aware, I am referring to the millions of American consumers who have benefited under the reciprocal trade agreements program and in whose best interests the program should be continued.

For this reason it is believed that the vote of the House of Representatives of 317 to 98 in passing this bill is particularly significant and should be so recognized by the Senate. Because the members of the House are elected on the basis of population they can be expected to be sensitive to the needs and wishes of their individual constituents. Indeed, this is the primary function of the Junior House under our bicameral legislative system. Therefore, it would follow that many millions of citizens who do not appear, or were unrepresented, at the hearings held on this bill both by the House and the Senate do in fact support it.

In testimony before the House Ways and Means Committee I stressed what was considered to be the main reasons for a 5-year extension of the act. Subsequent to my testimony the President on March 27 before the national conference of Organizations of International Trade Policy in Washington, D. C., made the following statement: "There is a mistaken belief spread among some people that the 5-year proposal was merely introduced as a bargaining position. I should like to set the record straight. It is a proposal dictated by the facts." As certain Senators have recently stated that they believed the President would be satisfied with something less than a 5-year extension, I would like to again call your committee's attention to the above quotation.

In conclusion I again quote from the above-referred-to statement of the President: "The good of America will not be served by just any kind of an extension bill. It must be a good bill. It must be an effective bill. Such a bill is before Congress."

It would be appreciated if you would insert this letter in the record of the current hearings. I trust your committee will report favorably upon the proposed extension of the act in the form in which it was passed by the House.

Sincerely yours,

R. G. SMITH,
Executive Vice President.

STANDARD OIL COMPANY OF CALIFORNIA,
San Francisco, Calif., June 30, 1958.

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

MY DEAR SENATOR: I understand that statements will be accepted by your committee for review in its hearings on renewal of the Trade Agreements Act. I should like to avail myself of this privilege by submitting the following statement:

Standard Oil Company of New Jersey is a worldwide organization engaging in all branches of the oil industry, either directly or through subsidiaries and affiliates. Our domestic business history dates back more than three-quarters of a century, and we have been active in foreign fields since the 1920's. Consequently, I believe that we have better than average qualifications and experience upon which to base a conviction regarding the Trade Agreements Act.

Members of the committee are familiar with the principal issues under consideration. Accordingly, this statement will be confined to two issues on which our experience enables us to make an authoritative contribution. They have to do, first, with the question of whether specific legislative action to curb imports of petroleum is desirable, and second, the significance of the act to our country's foreign relations and national security.

First, concerning the oil imports issue:

Spokesmen for domestic producer groups have contended that imports of foreign oil into the United States are responsible for the present economic difficulties of the domestic producer and, concurrently, that these imports thus threaten the national defense by diminishing incentives for future oil exploration and development in this country. It is also alleged that the voluntary imports program, formulated specifically to safeguard the national security, has fallen short of its objective and that its provisions should be made mandatory through inclusion in the Trade Agreements Act.

We disagree categorically with these contentions.

To begin with, the decline of domestic production witnessed in recent months is by no means simply a reflection of competition from foreign imports. It is, far more directly, the consequence of several factors entirely unrelated to imports.

Foremost o. these, in our view, has been the unprecedented growth of natural-gas production and transmission facilities over the past decade. This development, as the recent history of the petroleum industry shows, has been responsible for drying up a sizable share of the market for domestic oil.

Figures on the relative growth of consumption of natural gas and petroleum tell the story:

In 1947, gas consumption, in terms of oil equivalent, amounted to 2,100,000 barrels per day, or 27 percent of the total petroleum and natural gas requirements of the United States. Consumption of petroleum, in the same year, totaled 5,500,000 barrels per day, about 73 percent of the total.

By 1957, the proportion had altered substantially. Natural gas' share of the market was 30 percent (4,000,000 barrels per day), compared to 64 percent for petroleum (8,000,000 barrels per day). In other words, natural gas had increased its share of the market by a third, while petroleum's share had noticeably declined. (This trend, furthermore, is continuing. In the current year, while oil demand is expected to remain virtually unchanged, natural gas sales are expected to increase by an estimated 5.5 percent.)

Significantly, oil imports' share of the market in 1957 amounted to only 12 percent (versus natural gas' 30 percent); and this year imports' share is expected to drop to 10 percent, while gas consumption continues to grow. It should be readily apparent from this comparison that it is natural gas which has been primarily responsible for the displacement of domestic crude oil in the market place.

Against this backdrop of long-term encroachment by natural gas into oil's traditional markets, there have occurred in the last year two other developments to aggravate the domestic oil demand situation. First, this country has been experiencing an economic recession, which has checked the growth in consumption of oil. Second, there has been a continuing liquidation of high crude oil inventories which were built up in the months immediately after last year's Suez crisis.

Liquidation of these excess inventories, now virtually completed, will necessitate a sizable increase in domestic crude production in the immediate future. In addition, although consumption continues to be depressed, the revival of general business activity, confidently expected before the end of the year, will likewise afford the relief which domestic producers desire. Thus it seems both futile and unnecessary, in our opinion, to seek such relief through a legislative measure to control imports.

As to the question of the effect of imports on national defense, we believe that the administration's voluntary control program is already safeguarding our national security to the fullest extent.

It is a matter of record that our company was not in full agreement with the recommendations of the President's Committee which prescribed the original voluntary imports quotas. However, we did feel then—and do now—that it was incumbent upon us to go along with any reasonable attempt to solve the imports problem by cooperative means. We are continuing to cooperate—even though reserving our right to disagree—for this same reason.

By any reasonable standards, the voluntary imports program is working. Substantially all importers are in compliance. Still, because of isolated incidents of noncompliance and the temporary depression in demand for crude oil, domestic producers now demand that even more stringent controls be written into the Trade Agreements Act.

Our company is strongly opposed to such action. The voluntary program, as it stands, has the flexibility that is characteristic of an administrative program, as opposed to the rigidity that is inherent in legislation. It is, in fact, a most pertinent illustration of the flexibility and practicability of the Trade Agreements Act itself. What need is there for amending this act, or incorporating oil imports controls into its provisions, when it has been demonstrated clearly that the President can cope effectively with the imports question within the existing framework of the measure?

It is our conviction that no such need has been demonstrated, that the act is an effective instrument as it stands. In our opinion, the only thing that would be accomplished by encumbering this legislation with restrictive amendments on oil would be to jeopardize our relations with other free world oil producing countries. These foreign countries are already disturbed by the present voluntary control program. They recognize, however, that the United States is undergoing a business decline and that certain reasonable adjustments must be made to sustain the health of the domestic industry. But they would not recognize the validity of legislation designed primarily to bar the doors, in the tradition of the pre-McKinley era. If we succumb to pressures urging that course upon our country, we shall be doing its security irreparable harm.

This brings me to the second basic point I wish to take up in this statement, the matter of the Trade Agreements Act and its fundamental position in our entire pattern of foreign relations.

Over the past quarter century in which our company has been engaging in overseas ventures, one fact of our experience stands out. It is that the Trade Agreements Act has come to be regarded as symbolic of economic cooperation in the free world and epitomizes this Nation's willingness to promote and participate in that cooperation. The need for continued assurance that this willingness persists is more pressing today than at any time in recent years, because of the growing evidence of efforts by other blocs to wage economic warfare.

The peoples of foreign lands with whom we have done business are prepared and willing to be our allies in the economic and political arenas, provided they are properly recognized as our full partners in the free world community. This means, practically speaking, that they insist upon their right to deal with us at arm's length, unhindered by any commitments or obligations which would tend to restrict their freedom of choice.

Where then does the Trade Agreements Act fit into this pattern of our international relations? It is perhaps one of the most fundamental methods of preserving the "arm's length" doctrine. Through trade, self-evidently, foreign countries are able to promote their own economic independence. Under the ideal condition of balanced international trade and investment, these countries have the opportunity to become economically independent, free from the political encumbrances that are inevitably tied to aid proferred by wealthier nations. It is not unreasonable to expect that having achieved this ideal economic status, they would be most likely to select the route of democracy and private enterprise.

To continue a heavy emphasis on aid today, in preference to trade, is to deny our foreign friends the opportunity of becoming economically independent. Trade—not aid—is their ticket to self-reliance and self-determination, both qualities that are prerequisite before democracy can flourish. Anything short of the trade freedom prescribed by the Trade Agreements Act must inevitably limit the ability of other countries to discharge their obligations to us, and thus subject our motives to critical scrutiny.

To summarize, it is essential to recognize that foreign trade—and the Trade Agreements Act which encourages it—are no longer solely economic instruments. They are, far more importantly, vital organs in the free world's body politic. It is no longer sufficient to appraise the importance of foreign trade in terms of its impact upon competitive domestic goods. One must take into consideration the impact upon the larger interest of United States citizens.

Viewing the issue from the latter vantage point, it becomes clear that the larger interest of American citizens is served by a trade policy which promotes the evolution of strong and independent allies abroad, and which, at the same time, will curtail demands upon our taxpayers for more funds to send aid abroad—aid which, it should be stressed, is only grudgingly accepted as a poor substitute for the opportunity to trade.

Your committee, dedicated as it is to the larger interests of the Nation, has been called upon to make a determination which will be of surpassing importance to all of us. We believe, upon the basis of our experience, that a thorough review of the issues must lead to this one conclusion, which we respectfully submit: That the larger interests of all are best served by a perpetuation of the Trade Agreements Act in the form and for the length of time recommended by the President.

We wish to express our appreciation for this opportunity to present our views, and stand ready to provide any further comment or testimony required at the discretion of the committee.

Sincerely yours,

T. S. PETERSEN.

UNITED STATES SAFETY SERVICE CO.,
Kansas City, Mo., July 1, 1958.

Re reciprocity trade extension bill, H. R. 1259.

HARRY FLOOD BYRD,
Committee Chairman, Senate Office Building,
Washington, D. C.

DEAR MR. BYRD: Here is one man's idea relative to the obsolete idea of economic protection against imports.

For many years the British fleet unintentionally enforced the Monroe Doctrine and thereby gave to young America the temporary and perhaps questionable security of optional isolation from the rest of the world, a world which was at least 200 times as large as it is today measured by travel, communication and transportation time. However today millions of Americans still think and act as though they were still living in such a large world, long gone and forever.

Today an attempt to separate the United States from any part of the world politically, economically or culturally is as futile as trying to separate Kansas City from Missouri, Minneapolis from Minnesota and Chicago from Illinois. Modern technology has brought all people so close together that it has revealed to the impoverished, long-exploited 1¼ billion of the world's population that starvation is something to be avoided and does not have to be endured; that colonialism and economic exploitation is something to be rid of, even by force and revolution if necessary; that the white race cannot indefinitely hold a monopoly on the know-how of better living. It has also revealed to them that if as much effort and skill are devoted to the global distribution of goods as are now being devoted to the production of goods the human race can be on it's way to a much higher standard of living.

Tonight half of the world's population is going to bed hungry while we have hundreds of miles of steel bins full of Government-purchased wheat and rice going sour. They are less than half clothed while we have hundreds of thousands of bales of cotton in Government warehouses. Half the world is starving for fats while we have a trainload of butter 50 miles long. The world is asking the question "Why?" If we Americans do not now have the answer it is to our permanent interest to find that answer.

Certainly the time has arrived, in fact it is long past due, when men, especially American businessmen and men in high office take a little time out from this busy business of ours and work at the business of informing ourselves, the hard way if necessary, relative to the basic principles of production, distribution, wages and prices on a national and on an international basis and then collectively and objectively do something about it. It certainly is time for us to sift the great mass of political chaff, jargon and this eternal scare propaganda and really find out what is wrong with our bunglesome method of distribution of the products of our rampaging productive economy.

A businessman may think he can separate himself and his business from world business but that is about as rational an approach to the curret business environment as trying to separate oneself from the atmosphere and hope to stay alive.

The irresistible laws of economy have proven time without number that private business can be but little, if any, better than total business and today total business indisputably means total global business. If we make no intelligent and constructive contribution toward the creation of an environment that is favorable to total global business we are all going to awaken one of these mornings and find our private business striving for survival in an environment totally unfavorable to it. You and your business are definitely a part of global business today even though you may be running a popcorn stand. The success or the failure of private business is permanently hitched to the success or failure of total global business. I dare any American to disbelieve that statement at the peril of his own business and at the peril of the financial structure of his Nation.

If American private enterprise is to outlive the century this concept of business must be universally accepted and immediately acted upon by the world-minded, informed, activated businessmen along the Main Streets and the fields of America. Wide distribution of the necessities of life, especially of food, can put communism on the run and out of business for keeps.

I invite you and other committee members to investigate the trouble spots of the world today and name one which could not be resolved to a peaceful solution by allowing people "self-determination" and by giving them an opportunity to sell the products of their own labor in the free markets of the world so that they would be able to buy those things necessary for a decent physical existence. Dissension, communism, rebellion, and revolution thrive on arbitrary exploitation and its resulting poverty. Around the world today we are, in most cases, backing the wrong people and at home, from home base, we are antagonizing too much of the world with our thoroughly obsolete "protective economic isolation."

I am thoroughly familiar with the traditional arguments for so-called "protection."

1. "You don't want to lower the standard of living of the American laboring man to that of the Chinese, do you? How can American industry compete with such cheap labor?"

2. "You don't want to ruin existing business do you by allowing cheap foreign goods to flood the American market?"

The answers to such questions seem too axiomatic to pursue them further. Seldom if ever is there a businessman or a politician who will put his feet in the ground and really question the logic of those two statements. In other words, "Do lower tariffs and greater volume of imports necessarily mean a lower standard of living for the American laboring man?" Will greater imports ruin existing business?"

I would like to ask this committee this question. Taking into consideration the labor cost per unit produced where in all the world is labor the cheapest? Suppose you put 200 Chinamen to work at 15 cents per day working at the average efficiency in China. They will earn $30 in 1 day. Now suppose we put one American to work pulling levers and pushing buttons or simply watching some automatic machine do it all and give him all of the $30. At the end of the day he will have more finished products than all 200 Chinamen. It isn't the cost of labor per day or per hour that determines the labor cost of the unit produced.

In an article recently published in Fortune and written by Phillip K. Jessup, whom you undoubtedly know, it is stated that the English assembly line worker is from one-fifth to one-half as efficient as is the American line worker. Say what you want to about the labor in American industry it is the most productive of any in the world. On this basis we can pay him from 5 to 2 times as much as being paid to the English laboring man, per hour or per day, and the labor cost per unit produced will be no greater than in England.

Will lower tariff and greater imports ruin existing business? Some marginal firms may have to make adjustments and some might even have to find new products to manufacture but progress is based on change and adjustments to meet new conditions. I well remember the first automobile that came jugging down the streets of my hometown. It had a one-lung engine hung crosswise under a rubber-tired buggy. It cranked from the side, had a chain drive and was steered by a rudder. Right then if Congress had been as well informed as is the current Congress they would have legislated this contraption off the street and forbade its manufacture because it was destined to ruin "existing business." Wagon factories, buggy factories, harnessmakers, blacksmiths, draft and driving animal industry and many others represented millions of invested dollars and all must adjust or go out of business. The horseless carriage ruined existing business but in its place was built a billion-dollar industrial empire which gave gainful employment to millions and millions of people on jobs that did not even exist before the advent of the automobile.

Greater imports, giving customers abroad a chance to earn American dollars with which they may make greater volume purchases from us will increase the standard of living of laboring men at home and abroad and create millions of new jobs that do not now exist.

The spirit of extreme nationalism is being reborn today throughout the world. It is ultrasensative to the very slightest indication of colonialism. The old order is passing. A new world is in the making and if we want to have an important role in its determination we had best weigh the anchor of our ship of state and get out into the open sea of cooperation and understanding, away from the stagnant backwaters of obsolete economic isolationism, military coercion, colonialism and our inexcusable, unjustifiable egotism.

Restrictions, barriers, controls and shackled freedom res. uneasily upon the shoulders of America's space bound youth, through whose veins still courses the crusading, adventurous blood of their pioneering anchestors. Since when has it been really necessary for American industry to beg for quarter in the markets of the world, her own included? On the gridiron, on the diamond, in the classroom and on the battlefield and in the future markets of the world (if given any opportunity for choice) American youth has not and will not ask for quarter nor in that speculative scientific field of earth and space.

American nationalism has indeed an unfulfilled mission—to find its common ground with the self-interests of other nations and on that ground recreate its own birthright, an environment of progress and economic freedom.

H. R. 1259 in itself is not a good bill. In operation it can hinder imports as much as it can increase them. Its effective operation depends upon vision and courage of one man. That same man, according to the provision of the bill, can use it as an instrument to reduce imports to the vanishing point. To pass this bill assures nothing but its failure to pass loses us everything.

The tariff question is as old as the Nation itself and innumerable times has been argued pro and con by politicians and industry. Other decisions have been historic but never before has the decision taken on the proportions of national and world destiny. What happens to this bill has as much to do with the future of American democracy and private enterprise as Caesar's decision, as he faced the River Rubicon, had to do with the destiny of the Roman Empire (Republic).

Were American businessmen really informed on this question as they should be the streets of Washington would be full of marching men demanding that this bill or a better one be passed at once. You men as statesmen must not allow their complacency and ignorance keep you from doing your duty to all of America instead of placating a few marginal operators whose economic existence is difficult to justify in good times or bad.

Thanks for your indulgence.

Yours truly,

ARCH MAULSBY, *Sales Counselor.*

STATEMENT PRESENTED TO SENATE FINANCE COMMITTEE BY JAMES S. SCHRAMM, EXECUTIVE VICE PRESIDENT, J. S. SCHRAMM CO., BURLINGTON, IOWA, REPRESENTING NATIONAL RETAIL MERCHANTS ASSOCIATION

Mr. Chairman, my name is James S. Schramm. I am executive vice president of the J. S. Schramm Co., a department store in Burlington, Iowa.

My purpose in this statement is to express my support of H. R. 12591 calling for the extension of the Trade Agreements Act for 5 years. I speak as a retail merchant, whose firm has been doing business in a small midwestern city, Burlington, Iowa, for 113 years. I speak also as a member of the executive committee of the National Retail Merchants Association, an organization representing more than 10,000 department, specialty, and chainstores which sell the consumers of the Nation more than $17½ billion worth of goods a year.

The retail merchants are closer to the American consumer than is any other sector of the Nation's business community. The issue of foreign trade policy might be better understood if it were examined and discussed in terms of the interests of the consuming public. By its very nature, this would truly be an effort to determine the national interest, for all Americans are consumers.

The American consumer is a very special kind of human being. He is a consumer on the move, seeking better, higher wages jobs, and better quality and better priced goods on which to spend his earnings. He is a consumer on the move in a never-ending quest for a higher standard of living and for all the things that go into producing a richer life. His country was discovered by explorers searching for a new route to supplies of spices and the other kinds of delicacies that in that day contributed to better living. The spices of life in our own day are infinitely more varied, and available to an infinitely greater number of people than they were then. But the maxim is timeless that variety is the spice of life, and we retailers watch from very close range the quest of the American consumer for more and more variety—plus higher quality, at reasonable prices—in the goods at his disposal in the retail shops of the Nation.

The American consumer wants also a secure country in a world either relieved of international tension and crisis or—in the absence of such an ideal—strong enough economically, politically, and militarily to keep down the aggressive ambitions of forces that seek to subvert systems of government pledged to the welfare of the people. The American consumer is aware of the central role his country has played, can play, and must continue to play in the building of a united community of free nations capable of protecting their ideals and institutions.

To sum, then, the American public favors policies and programs, private and governmental, which strengthen our economy, strengthen our national security, and in general help in the fulfillment of the ever-rising expectations of a dynamic, free people.

These objectives are the national interest, and it is that interest our Government policies should serve and promote. In the field of foreign trade policy, the Trade Agreements Act has on the whole been that kind of public policy, and it is for that reason that I urge the Senate to vote to continue it in a meaningful form. While I take serious exception to the several weakening amendments that have been added to the trade agreements legislation in recent years—and I do not welcome some of the amendments proposed in the present bill (particularly the shift from 1945 tariff levels to those of 1934 as the base period for the determination of tariff relief in escape-clause cases)—I am supporting H. R. 12591 because a meaningful continuation of the act is essential to the expansion of the

Nation's foreign trade, and the provisions of that bill offer an acceptable minimum of a policy in that direction.

The trade agreements program has over the past quarter century contributed greatly to the expansion of our import and export trade. Expanding exports are indispensable to the expansion of the whole United States economy, and in times of recession they have kept the downturn from deepening. The Congress has heard a great deal about the arithmetic of two-way trade—of the vital role imports play in making possible a sustained and rising level of export business. What is sometimes overlooked are the other benefits gained from a freer flow of imports.

Imports are of course essential to supplementing supplies from domestic sources which cannot meet the demands of a growing economy. They also serve as a spur to our own producers, tending to bring forth greater efficiency, better quality, and more reasonable prices—all for the purpose of winning the favor of the ultimate consumer at the retail level. The spur of competition is one of the most important ingredients in the development of the American type of free enterprise system. The growth of that system must in no way be impeded. It must be fostered. Freer trade does just that. The fact that the United States is capable of that kind of foreign trade policy is itself a clear reflection of the strength of our kind of economic system.

While the record shows that more imports and more exports are good for the Nation—bringing more business and generating more and better paying jobs—those of us who strongly support a liberal trade policy as being in the national interest recognize that a policy that benefits most of the Nation might cause serious injury to a few isolated sectors of the economy. If the national interest is our standard, we must not only underline the overwhelmingly beneficial implications of such a policy but also recognize that there may be other unwelcomed results to a relatively few firms, workers, and communities.

The answer to such problems as may come to light in the wake of increased import competition is not higher tariffs or other forms of import restriction. To yield to demands for that kind of protection would do injury to the Nation as a whole, for the reasons I have set forth above. It would not even really help those who demand protection. The kind of protection they need, the kind that would do them and the Nation the most good, is adjustment in production and distribution on a self-help basis. This is in the tradition of the dynamics of the American free-enterprise system. Since there may conceivably be some instances in which Government marginal assistance may be necessary to help such firms, workers, or communities carry out their own adjustment plans, I suggest that the Senate give careful, favorable consideration to the principle of adjustment assistance embodied in bills already introduced.

The 5-year extension proposed in H. R. 12591 is the longest extension ever requested since the Trade Agreements Act was first enacted. It is something new, to enable our Government to deal confidently, effectively, and with businesslike efficiency with new developments on the world scene. Prominent among them is the evolution of a common market in Western Europe and other plans for regional economic integration that are in the offing. But a 5-year renewal, necessary to meet new and urgent needs, is also highly desirable to meet a need that is hardly new; namely, the need for greater stability in the Nation's foreign trade policy. Greater stability, which hard-fought, short-term renewals have not provided, and could hardly provide, would mean more confident planning of business programs by Americans who buy from abroad as well as by foreign businessmen who export to this country.

This need for greater stability has more recently assumed increased urgency as a result of buildup in the Soviet trade offensive against the free world. There are large numbers of free nations that seek greater economic stability in its many forms. Foreign trade is vitally important to them. They want to trade more with the United States, the world's largest single market, but if import restrictions on our part and short-term renewals of our trade policy legislation bespeak the extent of our interest in doing business with them, these countries may find it necessary to trade more with nations that seem to offer them more long-term stability. The Soviets are making offers of that kind. Diversion of their trade to the Soviet bloc is one way in which the Soviet Union seeks to subvert the weaker members of the free world community. A stable policy of freer trade is an important part of our answer to this Communist gambit.

There are thus many reasons for supporting H. R. 12591. They are all good reasons. The bill is good for America. We urge the Senate to support it.

SCOTT PAPER CO.,
Chester, Pa., July 2, 1958.

Hon. HARRY F. BYRD,
Chairman of the Senate Finance Committee,
Washington, D. C.

SIR: Mr. Thomas B. McCabe, president of Scott Paper Co., has been vitally interested in the extension of the reciprocal trade program for a further period of 5 years. While he is presently in Europe, he has cabled authority to submit to you, for your consideration and the consideration of your committee, a copy of the letter which he wrote on March 21, 1958, to Hon. Wilbur D. Mills, chairman of the House Ways and Means Committee.

Accordingly, you will find enclosed a copy of that letter which clearly sets forth Mr. McCabe's views. I trust that you will find his comments of interest and that your committee will take them into consideration in its deliberations concerning the extension of the reciprocal trade program.

Very truly yours,

W. R. SCOTT.

SCOTT PAPER CO.,
Chester, Pa., March 21, 1958.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D. C.

SIR: This year there are three basically new elements in the fight over the reciprocal trade program. In the 24 years that this program has been in effect the general arguments in favor of its continuance have been of an economic nature. The proponents have effectively demonstrated that a general lowering of trade barriers, both in the United States and throughout the world, have resulted in higher levels of trade, expanding economic opportunities, and higher living standards. This has been particularly true in the United States, and in each extension of the Trade Agreements Act it has been emphasized that such extension was in the purely selfish interests of our own country.

Since the last extension in 1955, however, three very important things have happened. First, the Soviet Union has embarked on an extensive program of economic penetration in all areas of the world. This penetration has been characterized by offers of long-term trade contracts, capital investment, and technical assistance. While they have apparently not yet begun to conduct preclusive buying, we may be sure that this is in their arsenal for future use. The United States is faced with the challenge that a considerable part of the world may be led to accept not only the Russian offers but the political penetration which is sure to follow.

The second new element in the issue this year is the European Common Market made up of Germany, France, Italy, the Netherlands, Belgium, and Luxembourg. These 6 countries have, of course, agreed by solemn treaty to eliminate all tariffs and quotas among themselves within a period of 12 to 15 years. They will establish as an external tariff the average of the tariff rates presently in force. The problem before the United States is whether the average tariff level can be reduced so that the United States goods may maintain their markets within the 6 countries in spite of competition from European goods moving freely within the area of the 6. This, however, is only part of the problem.

United States trade with the Common Market Community represents 12 percent of all exports. The higher living standards and increased economic activity likely to be generated by the large free market area of 150 million people offer the United States, in the long run, vastly larger opportunities than we have had in the past. This can be true only if our mutual tariffs are reduced. Finally, there is the question of the orientation of Europe under this new integration. Will it turn inward upon itself or outward toward the United States and the rest of the world? The direction of that orientation will depend in large part upon the kind of a trade policy we maintain.

The third new element is the current recession in the United States. In the latter part of 1957 and early 1958 our exports have fallen substantially. This has been a key factor in our current slow-up. It would be the height of folly to enact legislation which would further contract our exports by limiting our imports. This is what happened in 1930, when we passed the highest tariff act in our history and intensified the depression we were already in. We cannot afford to make such a mistake again.

For the reasons here indicated I wish to urge the committee to approve H. R. 10368 for the full term of 5 years and with tariff reducing authority of 25 percent. Nothing less will do.

THOMAS B. MCCABE, *President.*

AMSINCK SONNE CORP.,
New York, N. Y., June 25, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

STATEMENT IN SUPPORT OF H. R. 12591, TRADE AGREEMENT EXTENSION ACT OF 1958, AND OF A LIBERAL FOREIGN TRADE POLICY IN GENERAL

This statement is respectfully submitted on behalf of the undersigned affiliated corporations:

Amsinck Sonne Corp.,
American Trading Co., Inc.,
Gillespie & Company of New York, Inc.,

all of No. 90 Wall Street, New York, N. Y.

We (the undersigned corporations or their immediate predecessor corporations) have been engaged in foreign trade since well before the beginning of this century; in fact, one, American Trading Co., Inc., had the good fortune of celebrating its 100th anniversary in 1957.

The dollar volume of trade of the undersigned in 1957 was over $50 million. Approximately 300 persons employed by us are dependent for their livelihood on the activities and the prosperity of the undersigned corporations. Our immediate, and if you wish, selfish interest in a flourishing foreign trade therefore needs no emphasis. Moreover, our active business relations over these many decades with practically all parts of the inhabited world have given us ample opportunity to realize the vital importance of an active and successful foreign trade in the development of friendly relations between peoples. We are firmly convinced that nothing contributes so much to this development as does foreign trade where both parties hope to, and actually do, gain naturally mutual advantages.

We, the undersigned, for many years concentrated largely on export trade, but some years ago we became convinced that such one-sided business cannot in the long run remain viable and we made determined efforts to develop the import side of our business. By much work and the assumption of risks, which then seemed unfamiliar to us, we have succeeded in building up considerably the volume of our imports. We have found many types of imports welcomed here and readily accepted at present domestic price levels. Our experience has been that as the result of import activity our prestige and business vantage point have been considerably enhanced in those countries from which we import, and this in turn has been reflected in our ever-increasing volume of exports.

While, as you realize, the ratio of foreign trade to the gross national product is a very large one in most of the countries with whom we conduct foreign trade, this ratio in the United States is comparatively small, seeing that imports amount to approximately $12 billion, and exports to about $20 billion, as against our gross national product of around $430 billion. The fact that exports are close to double the amount of imports shows the urgent necessity of increasing the latter, and the very small percentage of imports in relation to gross national product (about 3 percent) would tend to show that imports can be increased without adversely affecting the national economy as a whole.

The steadily growing productivity of our farms and industries will make it increasingly desirable, and in fact necessary, in spite of the growth of our own population, to export more and more of our goods if we want to produce profitably. In order to sustain such an increasing volume of exports it will become necessary to increase imports by buying not only such goods as cannot be or are not grown or manufactured in this country, but also goods, agricultural as well as manufactured, which are grown and manufactured abroad more cheaply or better than in our own country.

We especially urge approval of the 5-year extension of the act provided in the House bill 12591, since obviously the granting of a longer period within which the President can use his authority to negotiate new liberalized tariffs will place the administration in a better position to encourage expansion of export and import trade.

In this connection we note that the proposed strengthening of existing safeguards for domestic industry by giving the President power to raise tariffs 50 percent above those prevailing in 1934 seems to run countercurrent to a policy of liberalizing tariffs. Perhaps, in lieu of this clause, provision should be made whereby an industry, firm, organization, or individual, which could prove an actual injury, could appeal to the Tariff Commission for relief, and such relief in deserving instances would be given in the form of indemnification by grants, loans, and technical assistance over a limited period of time in order that the firm or industry could diversify its products and shift its productive capacity to more prosperous lines.

AMSINCK SONNE CORP.,
By N. L. H. KOEHLER, *President.*
AMERICAN TRADING CO., INC.,
By R. A. HEIRONIMUS, *President.*
GILLESPIE & COMPANY OF NEW YORK, INC.,
By FRED BRUMMER, *President.*

STATEMENT OF MINNEAPOLIS CHAMBER OF COMMERCE REGARDING EXTENSION OF TRADE AGREEMENTS ACT

It is a rare occasion when an association can speak for such a large percentage of its membership as can the Minneapolis Chamber of Commerce in the matter here under consideration. In a wide expression from our membership, there has been nearly 100 percent approval of the 5-year extension of the Trade Agreements Act.

Minnesota in general and Minneapolis in particular have a great stake in world trade. In 1957, over 250 Minnesota firms exported in excess of $50 million worth of merchandise to 40 countries. Some 25,000 families in Minneapolis and over 50,000 families in Minnesota depend on imports and exports for their livelihood. In addition to over $50 million in export business, it is estimated that Minneapolis industry imports some $25 million in raw and finished products. These figures, as impressive as they are, do not reflect the indirect exports. For example, a battery manufactured in Minneapolis and installed in the 1 out of 10 Minneapolis Moline tractors which finds it way to some far-off point on the globe.

In January 1958, over 131,000 or about 63 percent of the total number of Minnesota workers of manufacturing industries were employed in the major industries producing goods which the United States exports in greater quantities than it imports.

Over one-fifth of Minnesota's income is from agriculture and the farmer can by no means ignore this issue. Products of an estimated 60 million acres of farmland are sold abroad each year. This means that vast quantities of foodstuffs are taken off of the American market, where there is already a surplus, and supplies the requirements of nations abroad.

Foreign trade is a two-way street. For Archer Daniels Midland, one of our members, the two-way street works this way: Wheat for India, and whale oil from Peru; coconut oil from the East Indies and soybean oil for Norway; chemicals and foundry supplies from Spain and Italy and resins for the Congo. Mr. T. L. Daniels, their president, recently stated that, "foreign trade is vital to Archer Daniels Midland with its 150 plants and elevators scattered throughout the United States, and to our employees and our farm suppliers. From abroad we must obtain the materials which we cannot produce as economically in this country and must sell abroad the products of our factories and the produce of our farms. In a sense, we are the salesmen for the American farmers and workers."

Harry Bullis, chairman of the board of General Mills, recently stated that General Mills exports flour throughout the world to some 90 countries. Livestock feeds are exported to Mexico, Central America, Cuba, Dominican Republic, Venezuela, Trinidad, Netherlands West Indies, Jamaica, El Salvalor, British West Indies, Puerto Rico, Hawaii, and Alaska.

In connection with the European Common Market which has already become a reality in January 1, 1958, Mr. A. B. Sparboe, a spokesman for Minneapolis industry, had this to say: "United States exports to the six European Common Market countries are running about $3 billion a year. Our private direct investment in these countries already totals over $1½ million with new direct investments (excluding reinvestment) taking place at an annual rate of about $250 million. A threat of being shut out of traditional European markets by high tariffs is of acute concern to United States businessmen."

Our people have a firm grasp of world affairs and the special place this country has been given in the shaping of world destiny. With some of the great nations of Europe moving toward freer trade and elimination of trade barriers they fail to see how an intelligent Congress could possibly cast the United States in the role of a protectionist, isolationist country, unable and afraid to compete in world markets.

This country has for many years pointed with pride to the free trade between States, and we have said, in so many words to the Old World, "This is how to do it; this the way to prosper and to raise your standard of living." Were we to tighten our trade policy at this point it would be an about-face admission that we were wrong, that the way to maintain full employment, prosperity, and a high standard of living is not free trade but more rigid trade restrictions and higher tariff walls.

We feel strongly that the course which will be for the good of America is clearly defined in this issue. We urge the Senate of the United States to extend the Trade Agreements Act for 5 years without crippling amendments.

STATEMENT OF TOBACCO ASSOCIATES, INC., SUBMITTED BY J. B. HUTSON, PRESIDENT, WASHINGTON, D. C.

Within the past 4 months Tobacco Associates has held two meetings at which the reciprocal-trade-agreements programs have been discussed. The first of these meetings, which was held in Raleigh, N. C., on March 4, 1958, was the annual meeting of the voting membership. This meeting was attended by around 400 leaders who represent about 400,000 tobacco growers in the States of Virginia, North and South Carolina, Georgia, Florida, and Alabama, over 100 corporations engaged in the exportation of United States tobacco, and the auction warehousemen, fertilizer manufacturers, merchants, and bankers in the flue-cured-tobacco-producing States.

A considerable part of the time at this meeting was devoted to a discussion of the progress of our trade-agreements program. At this meeting the following resolution was adopted unanimously:

"Whereas the flue-cured-tobacco farmers of the United States depend on foreign markets to utilize about one-third of their normal production; and

"Whereas the amount of United States flue-cured tobacco which can be sold in foreign markets is often limited by the ability of our foreign customers to obtain the necessary dollar exchange to purchase their requirements; and

"Whereas the foreign-trade policies of the United States have a direct effect on the availability of dollar exchange in most foreign countries; and

"Whereas the reciprocal-trade-agreements program of the United States for the past quarter of a century has been one of the most important parts of our foreign-trade policy and during this time has provided world leadership in the establishment of fair and equitable foreign-trade rules and procedures; and

"Whereas the legislative authority for the operation of the reciprocal-trade-agreements program is scheduled to expire on June 30, 1958; and

"Whereas the United States Congress is now considering a bill, H. R. 10368, which would extend such authority for an additional 5-year period: Now, therefore, be it

"*Resolved*, That we, the membership of Tobacco Associates, Inc., representing the producers, warehousemen, and leaf exporters of flue-cured tobacco, and the bankers, merchants, and fertilizer manufacturers in the flue-cured-producing area, do hereby recommend and urge the Members of Congress to enact such legislation as is provided in H. R. 10368."

On April 14, 1958, also in Raleigh, N. C., the second meeting was held for the express purpose of bringing to the attention of the public the importance and necessity of continuing the trade-agreements program.

The general consensus at this meeting was that a continuation of our reciprocal-trade-agreements program was not only of tremendous importance to the future well-being of United States tobacco producers and exporters, but also from the standpoint of promoting a high level and healthy international trade and that such a level of international trade is imperative if the free world is ultimately to win in its struggle with communism.

We, therefore, respectfully urge the membership of the Senate Finance Committee, as well as that of the Senate, not only from the interests of the United States tobacco-producing and exporting industry, but for the general welfare and well-being of all citizenry of the United States and the world, to enact a Trade Agreements Extension Act which will permit a continuation of our reciprocal-trade-agreements program for a 5-year period. Such legislation is provided in the House-passed bill, H. R. 12591.

STATEMENT OF ERNEST FALK FOR THE UNITED STATES NATIONAL FRUIT EXPORT COUNCIL, RE TRADE AGREEMENTS ACT OF 1958

This statement is submitted on behalf of 11 organizations representing the major part of the fruit industry of the United States.

The council membership includes the California Grape and Tree Fruit League, the California citrus industry organization, which includes Sunkist Growers, Inc., American National Growers Corp., and Pure Gold; the Canners League of California; the Dried Fruit Association of California; the Northwest Horticultural Council; the Northwest Canners and Freezers Association; the Texas Citrus Growers and Shippers Association; the Florida Citrus Mutual; the Florida Canners Association; the International Apple Association; and the National Apple Institute.

More than 80,000 growers are represented in this membership, in addition to our shippers and processors; the acreage in orchards and vineyards is approximately 3 million, with an aggregate annual production averaging nearly 17 million tons of fruit. The farm value of our crops is estimated at $1.2 billion, and a retail value after packing, storing, processing, transportation and distribution, of near $4 billion. Every part of this industry is directly or indirectly concerned and affected by our foreign trade situation.

In so widespread and diverse an industry, naturally we have a range of views and opinions on many problems. But we are up against one overriding problem in foreign trade. We have joined together to ask the committee and the Congress to consider and act upon it.

We are agreed in support of the extension of the Trade Agreement Act, not because we are satisfied with the way it has been administered in respect to our fruit problems, but because we believe it can be made to work, and it is urgently important to us that it be made to work. We ask your help through an operational amendment for that purpose.

Our overriding problem is to obtain removal of discriminatory trade restrictions still maintained against American fruits and their products, by the governments of countries which are important markets in the fruit trade of the world.

We seek an opportunity to compete in the world fruit markets equal to that afforded other exporting nations. We are entitled to this under the theory of reciprocal trade enunciated in the "most favored nation" and "GATT." That we have been discriminated against has been recognized many times by this committee and other committees of the Senate and the House. For example, see sheet A hereto attached. Despite statements in committee reports and efforts by our Government, these discriminatory trade barriers are still maintained. It is now apparent that these discriminations will not be removed at the request of our Government but only by a display of force to show that the United States Government and, especially, the Congress means business. We propose an operational amendment which can have this effect. It does not change the principles of the Trade Agreements Act but merely provides a vehicle to assure compliance by other countries with their obligations.

Not many commodities have a longer history than fruits as objects of commerce between peoples and nations. United States fruits are no newcomers to this trade. We have imported and exported from the beginning. Our first Ambassadors to London introduced American apples there, and trade developed from the orchards of Virginia, of New England, New York, and the other eastern States, and later, the Pacific Northwest. Apples from trees planted by Johnny Appleseed were barged down the Ohio and the Mississippi to New Orleans, thence in sailing vessels to France. As our production in fruits increased, in California, Arizona, Florida, Texas—oranges, lemons, grapefruit, peaches, pears, plums, grapes, apricots, and others, offered as fresh fruit and in many processed forms—exports to foreign markets became an integral part of the industry's normal commerce.

In the 5 years between 1934 and the outbreak of war in Europe in 1939, fruits and fruit products held first place among American food exports. Following the war, during the period of financial crisis as the war-torn countries struggled to restore themselves, fruit shipments were held to token amounts or prohibited altogether. This began the quantitative controls and restrictions which are still obstructing our commerce in fruits today.

Every year, our Government has to get permission for American fruit to enter, if at all, in limited quantity or value, for a limited marketing period, by negotiating for it. Then such things as these happen:

We may be denied access while others are allowed to enter. Other sources may be granted an open general license, while we get a tight quota, and shorter or less favorable periods of entry. Negotiations are dragged on and on, decisions and announcements are frustratingly delayed, while the season slips past and others enjoy the short-supplied market.

After advocating and supporting the principles of reciprocal trade down through the years, this is where we are.

The fault is not in the purposes and intent of the act, but in its enforcement, the conduct of the program, and the refusal of some of our friends abroad to comply with their obligations as long as it seems expedient not to do so.

As you must recognize, this is not something we can fight out on our own. We have asked and have been given the help of the Congress, repeatedly and in various ways. Senate committee reports, upon previous extensions of the act in 1951 and 1955, have emphasized our problem and called upon the responsible officials in the executive branch to take appropriate action under existing authority.

Some progress has been made, yes. Sheet B attached is a tabulation showing the controls presently in effect, according to degree of severity.

It shows that the toughest problems remain, and they are in the biggest markets. These have not yielded to the efforts made to date.

Therefore, we are now asking that you equip the executive branch with the additional force of law necessary to bring an end to these discriminatory practices.

To do so effectively, the action must fit the peculiarities of fruit production and flow to market, because the time factor is so often decisive.

The crop is annual, but production is possible only in terms of decades. Then the seasonality and perishability of the crop cause the market to be exceptionally sensitive to balance or change in conditions from week to week, and day to day.

Most of the fruit we enjoy, and take for granted that we will find in the market, is there because of judgment made and risk begun with investment and labor, 10, 20, or 30 or more years ago, and maintained unbroken ever since.

A newly planted tree or vine must be expensively tended for years before it comes into bearing, and the bearing tree must be tended whether good crop or poor, whether good market or not.

Ours are not crops that can be taken in or out from year to year. They vary with the weather and other growing conditions, as has been painfully shown this season in various parts of the country. They require an annual investment in labor and materials and other direct costs which runs to a high percentage of the value of the land itself.

The seasons of bloom, growth, maturity and harvest are not open to negotiation. They set the timetables for actions which the grower, the packer and the processor must have planned and prepared in advance. Harvested fruit has to move quickly to market for prompt enjoyment, or be stored properly for later movement, or processed into one of its many products. Even though the latter will keep a longer time, nevertheless the business decisions and actions which result in their being available have to be made seasonally.

We do not know of any article in international commerce more vulnerable than perishables to delay, interference, and arbitrary unbalance of competition.

The effects upon the importing market were well summarized in the conclusions of a special study made for the British Parliament on the marketing of horticultural products. Referring particularly to import problems in apples and pears, the report declared that the prolonged use of quantitive restrictions tends to produce an ossification of the trade * * * that the fear of changes in quotas inhibits producers and distributors from planning ahead * * * that importers must develop their trade ties with sources where opportunity exists for continuity of business.

Add discrimination to that, in any country—of holding American fruits to an arbitrary disadvantage as compared with those from other sources—and you have the crux of our problem.

Why, then, do these things persist?

We say that under our trade agreements we are entitled to a fair shake, an even chance at the business, and to be able to depend on having that chance. The rest is up to us, on the competitive attractiveness of our offerings and our ability to service the trade.

The chance is denied because bad habits, once established, are not easily shed. Strong interests and influences have become attached to these conditions. The postponement of trade-agreement obligations has permitted temporary practices to gain a foothold.

We cannot expect that discriminatory barriers will be given up and reciprocal agreements to regulate this trade restored, if we simply put it as a favor due us under past promises.

We believe the solutions will come when, and only when, the United States makes it abundantly clear that discriminatoray practices have run their course and must be ended.

The act says what to do about discrimination. It says (sec. 350 (a) (4)) the President shall, as soon as practicable, suspend the benefits of our multilateral concessions on articles of the offending country. Our members have been taking a look at this provision. It serves as a strong deterrent, and can be used as a prompt corrective against an outbreak.

Against existing practices which have been allowed to gain a foothold, its use becomes a very serious thing, indeed. Perhaps that is our difficulty—that foreign governments have been counting on hesitancy by our Government to take such a step, and the step has not been taken.

We recognize its seriousness. Our problem is also serious. We expect the provision for suspension to be used, if necessary.

It need not be used abruptly. We are not interested in penalty to no avail, but in results.

These may not be accomplished in one stroke. If interim arrangements are requested in good faith to help the transition, each one should be a positive, progressive step toward the goal, and not a further postponement.

To that end, we ask your consideration of an amendment to the following effect:

"The President shall, with respect to any country which has imposed import restrictions which discriminate against American commerce in perishable, seasonal agricultural commodities or their products, take prompt action for the purpose of obtaining removal of such restrictions and, until the removal of such restrictions is complete, the President may, as an alternative to the suspension provided for in section 350 (a) (4), enter into temporary arrangements in timely advance of the seasons of such commodities which will facilitate the earliest accomplishment of that purpose.

"The President shall report annually to the Congress the particulars of action taken under this provision, and shall itemize any such restrictions remaining, with explanation therefor."

Mr. Chairman, this is intended as a constructive addition entirely in accord with the principles, the stated purposes, and the enforcement provisions of the act.

We believe it fills a gap and enables the Congress to keep an eye on what happens. We ask that it be made this explicit, for the reasons given.

As you know, our commodities are not price supported. The market we depend upon includes the foreign part of the demand for our production. The Government is not in the fruit business; it owns no stocks of fruits. Our production has not been inflated.

We are asking here for your help in obtaining fair and equitable access to foreign markets which are supposed to be opened to us.

In that context, we support the extension of the act, and depend upon its operation to achieve that end.

[Sheet A]

Citations from 1951, 1955, and 1956 committee reports:

(1) Trade Agreements Extension Act of 1951 (Senate Finance Committee, Calendar 279, Rept. 299, April 27, 1951):

"Testimony before the committee as to our perennial fruit crops has indicated difficulties encountered by exporters of these crops in regaining access to the importing countries in Europe which in the past furnished an integral and important part of our growers' markets. Your committee, therefore, feels justified in urging the appropriate agencies of this Government to take steps under presently available authority and procedures to bring about the restoration of the foreign markets of these exporters."

(2) Trade Agreements Extension Act of 1955 (Senate Calendar 242, Rept. 232, April 28, 1955):

"An amendment was offered by Senator Smathers which would require the State Department to take positive action to protect exports of agricultural products from discriminatory practices engaged in by countries with which the United States has entered into reciprocal-trade agreements. The amendment was withdrawn when it was agreed by the committee that it would be more appropriate for a statement to be made in the report expressing the wish of the committee that responsible officials in the executive branch of the Government make a full investigation and take appropriate action."

(3) Amendments to Public Law 480 (Senate Calendar 2313, Rept. 2290, June 22, 1956):

"Throughout its extensive hearings on agricultural legislation relating to the export of agricultural products, the committee has been impressed by the number of instances in which export markets for fruit and fruit products have been restricted by the actions of foreign governments. * * *

"Because of the special needs of this industry for assistance in solving its export marketing problems, the committee recommends that its sales under title I be exempt from the cargo-preference laws and, further, that special efforts be put forth by the appropriate agencies of this Government under presently available authority and procedures to minimize and overcome such barriers to fruit exports and, particularly, to provide continuing commercial arrangements in order to remove the present uncertainties arising from annual negotiations. * * *"

[Sheet B]

Import and exchange controls for fruits in specific countries

Country	Fresh		Canned		Dried fruits
	Deciduous	Citrus	Fruits	Juices	
Austria	4	2	*2	*2	2
Belgium-Luxembourg	3	1	1	1	1
Denmark	5	5	5	5	*1
Finland	5	5	5	5	4
France	4	4	4	4	4
Germany, West	*4	2	2	2	*2
Netherlands	3	2	2	2	2
Norway	4	*2	*2	*2	*2
Sweden	3	2	2	2	2
Switzerland	3	1	1	1	1
United Kingdom	*4	4	4	4	4
Canada	1	1	1	1	1
Cuba	1	1	1	1	1
Mexico	4	4	1	1	1
Panama	1	1	1	1	1
Brazil	3	5	3	3	3
Colombia	5	5	5	5	*5
Ecuador	4	5	4	4	*4
Peru	1	5	1	1	1
Venezuela	2	5	2	2	2
Japan	5	*5	5	5	*5
Malaya	2	2	5	5	2
Philippines	3	3	3	3	3

NOTE.—United States exports of these products to the countries listed comprise 95 percent of the total value of such exports during the period 1954–56.

Symbols:

*—Applies to less than the total number of items in the category.

1—Imports permitted without restriction.

2—Imports permitted under minor restriction; i. e., import or exchange license required, modest exchange premium or liberal licensing.

3—Import permitted under significant restriction; i. e., quantitative limitation, seasonal closed period or high exchange premium.

4—Import permitted under severe restriction; i. e., sporadic quotas and exchange allocations and special taxes or fees imposed.

5—Import prohibited.

Controls effective as of January 1958.

Source: U. S. Department of Agriculture, Foreign Agricultural Service.

STATEMENT FOR A NATIONAL TRADE POLICY ON THE 5-YEAR EXTENSION OF THE TRADE AGREEMENTS ACT BY STANLEY RESOR, CHAIRMAN, J. WALTER THOMPSON CO.

1. International trade can make its maximum contribution to peace and prosperity in America and the rest of the world only through a properly balanced growth of exports, imports, and investments.

2. While international trade represents only a small proportion of our national income, we must not ignore the fact that for many countries this trade is actually the means of survival. They must export to pay for indispensable imports or they cannot live, let alone having a decent standard of living. Great Britain, Norway, Sweden, Holland, Denmark, Belgium, Japan, and even Canada all fall in this class. If a high level of international trade is essential to a prosperous and balanced economy in the United States, where our exports over a long period account for roughly 7 percent of our national income, it is obviously far more essential to these countries in which exports account for from 20 percent to over 60 percent of national income.

3. It should be obvious, since other countries must finally pay us in dollars for our exports of goods, services, and capital, that the dollar volume of our imports must equal that of our exports. Our national policies should be directed toward this realistic balance.

4. For two centuries we have been steeped in the misleading and false concept of a "favorable balance of trade." There never has been and never will be any "favorable balance of trade" until balance means what the word "balance" actually says—that imports equal exports. From the standpoint of any national economy, the only justification for exports is to pay for imports—otherwise exports are given away and not paid for, to the detriment of the domestic economy. The only way to attain this balance is through consistent and continuous long-range policies and planning. A long-term extension of the Reciprocal Trade Agreements Act is the best means of approaching this objective.

5. Without a definite trade policy reaching over a reasonably long period of time there can be no long-term planning on our own part or on the part of friendly nations who desire to cooperate with us on the reduction of trade barriers and costly restrictions.

6. Curtailment of two-way trade is not the path to prosperity and peace but the road to mutual impoverishment, friction, and retaliation.

7. While it is our official international intention to remove restrictions to trade, and we are constantly urging other countries to do so, we have so far failed by a very wide margin to practice what we preach. Other countries interpret this failure as bad faith, arbitrariness, and dollar imperialism. Our more generous friends attribute it to economic and political immaturity.

8. As a result of our past shifting and constantly revised basic Trade Agreements Acts and special legislation, other nations are suspicious and frustrated. Neither their commercial interests nor their governments have any basis for planning or stable policies. The result is often retaliatory action which harms all interests. Other nations cannot follow us if we ourselves do not know where we are going and if we multiply restrictions while urging others to eliminate them or "change the rules" unilaterally.

9. If the division of the world into two ideological blocs is unavoidable, as it seems to be, it is even more urgent that we do everything possible to conduct our trade with the free countries along unrestricted and mutually advantageous lines. Any other course only forces our allies and friends to seek more trade with Russia and its satellites. The record is replete with examples already. The trade agreements program is a powerful instrument for protecting and strengthening the free world in its struggle against Communist infiltration and domination. Because of its importance in the free world the United States is the only nation which can exercise leadership in the removal of restrictions and the expansion of international trade on sound lines. Confidence and mutual fairess among countries, as well as economic soundness, must be the basis of the continued expansion of trade.

10. Now that the Common Market in Europe is developing, to be followed with a customs union of far greater extent, it is an absolute necessity that we be in a position to negotiate over a period of several years on a foundation of established policy which will inspire confidence and offer a basis for planning both for ourselves and for the other nations involved. We cannot gain maximum concessions negotiating on the basis of makeshift and annually changing legislation. Without long-range policies our negotiators cannot even make firm offers.

Other nations likewise hesitate to make reciprocal concessions because they fear they will be of very short duration and will be subject to change in a few months, to their detriment.

11. The announced official policies of the United States, whether economic or political, international or domestic, have four aims: the establishment and maintenance of world peace; elimination of international trade barriers; a high and expanding level of income and employment, both at home and abroad; and the preservation of individual freedom and our free competitive enterprise system. These announced policies imply and require a long-term basis for mutual confidence and long-range planning. A 5-year extension of the Reciprocal Trade Agreements Act is certainly a minimum of time for the establishment of any stability and mutual confidence in such a complex field as international trade.

12. I believe that bill H. R. 10368, introduced by Congressman Wilbur D. Mills, and companion bills to renew the Reciprocal Trade Agreements Act for a period of 5 years will be a sound foundation for the removal of many international trade restrictions and the healthy expansion of two-way trade. I believe its escape clause and other provisions offer more than adequate protection against any legitimate hardships. I believe that an extension of the act for any period of less than 5 years would prove entirely inadequate in attaining our announced international trade objectives. I believe the passage of this legislation and our wholehearted participation in GATT the minimum and necessary basis for maintaining our position of leadership in the free world, reducing handicaps to continued economic growth at home and abroad, and securing confidence among other nations that our announced intentions and our practices agree.

February 21, 1958.

W. R. GRACE & CO.,
OFFICE OF THE PRESIDENT,
New York, N. Y., July 2, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR BYRD: I wish to take this opportunity to express to you the strong conviction of our company that the national interest of the United States will be well served by the renewal of the Trade Agreements Act.

We have consistently supported the reciprocal trade program in the firm belief that it is essential to the continued growth and stability of the foreign trade of the United States. This is particularly true with respect to our commercial relations with the rapidly developing countries of Latin America.

Our views are based on experience. W. R. Grace & Co. has been engaged in manufacturing, transportation, and trade with the Latin American countries for over a century. This long and rewarding association has caused us to realize that increasing foreign trade is vital to the economic strength and prosperity of the United States.

As approximately one-half of our assets are located within the continental United States, essentially in the field of chemical manufacturing, and most of the remainder are in Latin America and ocean transportation, we feel that we can fairly appraise all of the implications of this issue.

For the United States the reciprocal trade program has been of immeasurable benefit in providing markets for our industrial and agricultural production, employment for millions of American workers and cargo to maintain the American merchant marine. By helping to establish a more stable United States trade policy it has assured worldwide markets for the products of our domestic industry and agriculture.

With respect to Latin America our program has for 24 consecutive years provided these friendly countries with what they need most of all—the assurance of a stable trade policy on the part of the United States. It has protected their markets for the minerals and commodities which they sell to us against sudden disruption caused by unanticipated tariff changes. In short, it has enabled them to plan their economic development with the assurance that their source of dollar revenue, provided by trade with the United States, would not be quickly cut off or reduced.

The importance to our people of our inter-American trade should never be underestimated. Last year our total 2-way trade amounted to over $8 billion. Latin America bought 25 percent of our total exports and supplied us with approximately 20 percent of all our imports. Our exports to this dynamic area of the world have increased from $2.7 billion in 1950 to $4.0 billion in 1957. This vital trade with Latin America has an additional advantage to our American industries since virtually every dollar the United States spends in Latin America for strategic raw materials and commodities returns to the United States through Latin American purchases of our machinery and consumer goods.

Furthermore, during the period of the reciprocal trade program, the United States has been able to increase significantly its share of the market in Latin America. For example, in 1937 the United States had 35 percent of Peru's import market. By 1956 we had increased our share to 50 percent. In Chile, the United States increased its share of the import market from 23 percent in 1936 to 40 percent in 1956. However, during the past 2 years, as a result of increasing European competition, there has been a tendency for the United States share of the market to decrease. In addition, as is well known, as part of their economic war on the United States, the Soviets are making vigorous efforts to penetrate Latin America through the device of barter deals and tempting trade arrangements. The Latin American countries are heavily dependent upon the United States for trade which provides their livelihood and unless we give them some assurance of a continued stable trade policy they will be placed in the position of having to take seriously the Soviet offers in order to secure the trade outlets which they require.

As a matter of fact, the figures show that this process is already attaining substantial proportions. In the year 1952 Latin American exports to the Soviet bloc amounted to $21 million. By 1956 they had increased to $180 million, representing an increase of 757 percent. In 1952 Latin American imports from the Soviet bloc amounted to $25 million. In 1956 they had increased to $146 million, an increase of 484 percent. The total trade turnover, therefore, between Latin America and the Soviet bloc was $46 million in 1952 and $326 million in 1956, representing an increase of 609 percent.

Apart from the relatively small amounts of foreign aid which we are now providing to Bolivia and Haiti, Latin America does not receive, nor does it ask, grant aid from the United States. What these countries do want is to pay their own way through trade. They are receiving encouraging loan assistance from the Export-Import Bank and from the World Bank, but unless they can trade under reasonably stable tariff conditions their entire economic development and the repayment of their loans will be seriously jeopardized.

Latin America is a major supplier of many strategic raw materials which our industries require in times of peace and war. Latin America's overall economic development is progressing at a record level of 4.4 percent a year, which means ever-widening markets for American exports to this area.

It is our firm conviction that the reciprocal trade program has been the major stabilizing factor in developing our trade and protecting our markets in the countries of Latin America. It has assured our access to their strategic raw materials and has promoted their own economic development and prosperity which redounds in turn to our benefit. In our judgment it is the best piece of machinery devised to accomplish these purposes.

Our 100-year-old experience in trade and industry in North and South America has convinced us of the vital importance of the extension of the reciprocal trade program to the preservation of the United States economic and political relations with Latin America. We are convinced, furthermore, that the majority of the arguments which we have put forth apply just as forcibly to the maintenance of our economic and political relationship with the rest of the world as they do to Latin America.

It is our firm belief that it is a matter of self-interest, and even self-preservation, that this very vital and beneficial program be extended through the renewal of the Trade Agreements Act and we urge the passage of H. R. 12591 bill in its present form.

We have made wonderful progress in the field of foreign trade. Let us by all means continue and, if at all possible, accelerate the progress that has been made.

It would be appreciated if you could insert this communication in the record of your hearings on the Trade Agreements Act.

Sincerely,

PETER GRACE.

STATEMENT OF THE NATIONAL GRANGE ON EXTENSION OF THE RECIPROCAL TRADE AGREEMENTS ACT BY JOSEPH PARKER, LEGISLATIVE COUNSEL

The record of the National Grange for its support of measures to expand international trade is well known. Since the enactment of the Reciprocal Trade Agreements Act in 1934, the Grange has consistently supported the principle and efforts to expand foreign markets and world trade through the mechanism of trade agreements under which tariffs and other barriers to trade may be reduced or eliminated on a reciprocal basis thereby providing greater access to the markets of the world.

The Grange believes that regardless of the successes achieved or failures encountered to date we must continue our efforts to expand trade on a reciprocal basis. American farmers have a tremendous stake in seeing to it that the United States adopts and follows sound economic trade policies which will provide a basis for a constantly expanding level of world trade. It must be recognized, however, that there are compelling reasons for our looking with considerable concern on any attempt to remove recklessly or inconsiderately certain tariffs or regulatory measures which have been compelled by circumstances which necessarily reflect basic and fundamental differences in the economic and political structures of different countries. If we are to make real and continued progress in the direction of greater trade and freer movement of goods and services we must be willing to take cognizance of the real and substantial factors which underlie the seeming conflict between measures which are designed to afford a degree of protection to our domestic economy and those having the general objective of freer trade. Unless we recognize these basic underlying factors and make provision to compensate for them until such time as appropriate adjustments may be made, the entire reciprocal trade concept may be placed in jeopardy. It is essential, therefore, that the removal of tariffs and other protective devices which have been established by virtually all countries to afford a measure of economic balance or for internal security purposes—even though such removal is in the declared interests of expanding trade and improving economic opportunities for the vast majority of the people everywhere—must be carried out or pursued with caution, deliberation, and understanding. The speed with which existing structures may be disrupted is a matter of vast importance and the utmost concern to individuals or groups of individuals who are directly affected by such action. Time and perhaps in some cases compensation in some form should be provided to prevent injuries to the few by policies which are adopted and used for the benefit of the many. These are factors which have made and will continue to make real progress toward expanding world trade difficult.

Much of the conflict revolving around our trade-agreements program does not stem from basic disagreement with the concept of expanding trade by bringing about mutually beneficial reductions in tariffs and import restrictions on a reciprocal basis. Instead the greatest controversy involves the means employed to achieve the ultimate objective and the administration of the measures employed. Complaints come from progressively widening sources that segments of our domestic economy which require some protection against unfair or injurious competition from imports do not receive adequate consideration in the administration of the Trade Agreements Act. There is much feeling that fully justifiable needs for some measures of protection to safeguard the well-being of our domestic economy are receiving insufficient consideration and are being subordinated to extraneous and perhaps overvalued diplomatic objectives contrary to the basic guidelines established by the Congress for the administration of the act. It must be recognized, we believe, that there is considerable evidence in support of some of the complaints which indicate that advice to the President against injurious tariff reductions and concessions is diluted and obscured in a maze of internal administration and in a mass of executive committees not primarily concerned with safeguarding our domestic producers against injury or constrained by the necessity of a strict adherence to the basic policy guidelines established by the Congress.

We believe, therefore, that greater efforts must be made to assure a proper administration and exercise of the trade agreements authority to make certain that the purposes as specified in the original Trade Agreements Act and the safeguards which have been subsequently established are fully respected and given effect.

However important may have been our gains under the Trade Agreements Act to date when measured in terms of dollar exports against dollar imports, the fact remains that many barriers to the import of United States agricultural products still exist in many forms even by countries which do not produce such products or produce them in very limited amounts. Any extension of the trade agreements authority should, we believe, place a high priority upon the removal of these barriers to agricultural markets. Although agricultural exports last year were at a record level of about $4.7 billion dollars and with the bulk going to countries with which we have trade agreements, the fact remains that about 42 percent of such exports moved under direct Government programs such as gifts, barter, Public Law 480, etc. If commodities which move with the assistance of subsidies are included, the figure would approximate 70 percent. Thus, it would seem evident that agriculture is in rather a precarious situation as far as foreign agricultural markets are concerned. It is our judgment that there are many measures available to promote mutually profitable bilateral and multilateral trade more effectively and with less danger of disruption and dislocation of our own economy, than by relying almost entirely upon simple and direct reduction in tariffs. This belief again prompts reference to Grange programs which would give farmers greater opportunities to increase foreign markets.

At the 91st annual session of the National Grange, the delegate body adopted the following statement on foreign trade policy:

"It is the recommendation of the committee that the National Grange in conformity with existing policy, should continue its support of efforts to expand international trade on a mutually benefiting basis, as was originally contemplated under our trade-agreements program.

"In the consideration or development of programs having as their objective the expansion or implementation of international trade, the committee believes that considerable care should be exercised so as to minimize the impact of such programs on domestic agriculture and industry and to avoid any weakening of our internal economy. In this connection the committee believes it desirable for the National Grange to reemphasize the importance of, and the need for, the maintenance, effective administration, and strengthening, if necessary, of the provisions of section 22 of the Agricultural Adjustment Act of 1933, to protect agriculture against excessive imports, and of section 32 of Public Law 320, 74th Congress, to expand markets for, and increase the consumption of, United States agricultural products. This reaffirmance is believed necessary because of the efforts which have apparently been made to weaken the effectiveness of these basic agricultural laws.

"Similarly, the committee also recognizes that appropriate procedures are also necessary to provide effective relief for products not covered by section 22, against excessive import competition. The procedures which are presently available should be reexamined to determine their adequacy and they should be strengthened where necessary to prevent undue injury.

"In view of the changing purposes and objectives of our trade-agreements program which have taken place in recent years, with ever-increasing emphasis being placed on the granting of trade and tariff concessions as a means of strengthening the economies of other nations of the world as a part of our fight against communism, the committee believes that careful review and some changes are needed in our trade-agreements policy so that no segment of American agriculture or industry shall be called upon to bear the entire burden of increased imports resulting from such policy. If tariff or trade concessions are made to further our foreign policy in the interests of our Nation as a whole, then the burden of such a policy should be borne insofar as possible by the Nation as a whole. It is the belief of the committee that better guidelines and controls need to be established by the Congress to assure fairness and equity to domestic producers in the carrying out of policies to expand international trade and it recommends that the National Grange should endeavor to develop and support policies toward that end."

The delegate body deemed it necessary to again emphasize the importance of section 22 of the Agricultural Adjustment Act and the need for it being given full effect to protect agriculture against excessive imports. This reaffirmance is believed necessary becouse of action taken under the Trade Agreements Act which impairs the effectiveness of the Agricultural Adjustment Act which was enacted in 1933 by the Congress as a basic protection to agriculture. Briefly, section 22 authorizes and directs the imposition by our Government under certain specified factual situations of import quotas or import fees to protect agricultural programs. In the administration of the Trade Agreements Act, representatives of the executive branch of our Government entered into the General Agreement on Tariffs and Trade, generally known as GATT, whereby our Government in 1947 and again in 1955 pledged that no quota would be instituted or maintained on the importation of any product of any other contracting party. At the time this pledge was originally made, quotas under section 22 were in effect and subsequently others have had to be put into effect. As a result, this Nation was subjected to criticism and charged with violation of the terms of our pledge. To ameliorate the situation, representatives of our Government asked for a waiver of the pledge which had been given. A waiver was obtained, but only on condition that the United States would consult with other nations before taking further action under section 22, and would remove existing quotas on all farm products as soon as circumstances permitted. A progress report must be made once a year as to any quotas which are in effect and explanation must be given of the reasons therefor. In addition, the countries signatory to GATT have declared that the decision to grant the waiver does not preclude the right of affected contracting parties to have recourse under another article of GATT. This article provides that if no satisfactory solution is arrived at, the question of adjustment must be referred to the 35 members signatory to GATT for decision. In our judgment, this agreement by representatives of our Government committing the United States to a course of action contrary to existing specific provisions of law has seriously impaired the effectiveness of section 22 and the resultant criticism has not been conducive to the promotion of expanded trade. In 1951, section 22 was amended to provide that "No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with this section." It would, therefore, appear to be clear that any extension of the Trade Agreements Act at this time should reemphasize this prohibition against any agreement in derogation of section 22.

There are, of course, many products of the United States, both agricultural and nonagricultural, which do not receive protection under section 22 and which may suffer substantial injury from imports unless appropriate measures are adopted to give a measure of protection to domestic producers and at the same time do equity to the foreign country involved. For example, the "farmers of the sea," tuna fishermen in California, have suffered severely for the last several years because nothing has been done to reach a reasonable solution to the tuna import problem. In other instances, in which complaints have been made of severe injury from imports, such great delays have been encountered in the utilization of the remedies provided by the Congress as to aggravate the problem and to cause unwarranted injury. Admittedly problems of this kind are extremely difficult, but they cannot be swept under the rug. The longer effective solutions are delayed the greater the problem becomes. It is our belief that improved procedures need to be established to see that the safeguards in the Trade Agreements Act are applied promptly and in a reasonable manner. The achievement of this objective may well include a strengthening and a greater use of the United States Tariff Commission than has been made in the past in the administration of the trade agreements program.

It is our sincere judgment that the suggestions made herein by the Grange would strengthen the reciprocal trade program by creating greater confidence in those who feel that the administration of the program has been one-sided.

As difficult as the assignment may be, we believe that we must constantly continue our efforts to expand trade with our friends abroad on a reciprocal and mutually benefiting basis. We must fight against economic warfare conducted through import restrictions but at the same time we must also protect ourselves against economic aggression which might result from the existence of excessive disparity in the factors of production.

Statement of the Institute of American Poultry Industries on Extension of the Reciprocal Trade Agreements Act, by Harold Williams, President

The Institute of American Poultry Industries is a nonprofit organization which was organized nearly 33 years ago. Its members include processors and distributors of poultry and eggs and their products and, in addition, producers, breeders, hatcherymen, and other allied interests.

The Institute of American Poultry Industries supports the extension of the Reciprocal Trade Agreements Act and its objective of expanding foreign trade on a mutually benefiting basis through the elimination of unjust and unreasonable barriers to trade.

The importance of the poultry and egg industry in the United States is self-evident. Poultry and eggs are the third largest producer of cash farm income. Gross farm income from poultry and eggs is greater than the total income from corn and all other feed grains put together, including Government payments. It exceeds the income from wheat, or cotton, or tobacco, or from fruits and vegetables. The income produced by poultry and eggs is exceeded only by the income received from red meat animals and dairy products. The 4 million farmers involved in the production of poultry and eggs are located in almost every county in the United States. The farmers who produce poultry and eggs and those upon whom they rely to process and distribute their products are largely small-business men.

There has been little foreign trade in poultry products. Since the close of World War II, however, there has been a technological revolution in both the production and processing of poultry products. As a result of research, new breeds, new feeds, and new methods of processing have been developed. It is now possible to produce new meat-type chicken in 8 to 10 weeks, which, with new techniques in processing, are put in ready-to-cook form. This new-type high-quality product has resulted in virtually doubling per capita consumption. New markets are needed to provide additional outlets for our production.

American poultry products are produced under the full impact of the inexorable law of supply and demand. Production of poultry in the United States is subject to many factors which place domestic producers at a disadvantage with foreign producers. Most grains and other feed items going into domestic poultry and egg production are afforded price protection by some form of price support. This results in higher feed costs for American producers. On the other hand, the Government of the United States to a greater or lesser extent subsidizes grain for export, and to the extent that this lowers feed costs, foreign producers are given an advantage. Moreover, poultry production in the United States is subjected to rigid inspection requirements, which, while giving consumers added assurances of the wholesomeness of the product, nevertheless increase production costs. The high wage levels and employee benefits which are attendant with American production, and the high taxes which exist in the United States, also increase production costs. These facts all indicate that foreign producers need have no substantial fear of United States production. Notwithstanding the fact that United States poultry is competitive only at certain times during low-price cycles in the United States provided quality is taken into consideration, a substantial foreign market potential for American poultry nevertheless exists because of the great possibilities for an expansion in the consumption of poultry products. This will provide an enlarged market for all poultry products regardless of where produced. There is good reason to believe that export demand may be stimulated through adequate promotion and market development programs. In the last year or so Western Germany and Switzerland have commenced purchasing United States poultry products in commercial quantities for the first time in history. The product currently being exported from the United States is not displacing other production—it is the result of increased consumption and represents entirely new marketings. By providing foreign consumers with the high-quality meat-type ready-to-cook new product which has been developed in the United States and is not generally produced elsewhere, increased consumer acceptibility and expanded foreign markets are being created. Per capita poultry consumption in all other countries of the world, with the exception of Canada, is extremely low when compared with United States consumption. For example, the country which is currently the largest exporter of poultry in the world has a per capita consumption of only a little over 2 pounds as compared to a United States consumption of 31 pounds.

Increased markets for poultry not only serve to supply the growing needs and demands for foreign consumers for additional protein products, but also furnish outlets for substantial quantities of surplus feedstuffs.

Despite the low per capita consumption generally in the other countries of the world and the high level of cost attendant with United States production, almost all foreign countries maintain trade barriers in some form which restrict market opportunities for United States poultry. The attached table illustrates the extent and nature of these barriers.

It is obvious that in many instances restrictions are being unjustly applied against United States poultry, but not against poultry originating from other sources, by countries whose indigenous production is incapable of producing sufficient poultry products to supply consumer demand and an adequate protein diet. The Institute of American Poultry Industries in supporting an extension of the Reciprocal Trade Agreements Act recommends that in carrying out a renewed and extended trade agreements authority a high priority be placed on the elimination or modification of these restrictions.

Foreign restrictions on import of United States poultry

Country	Excluded through exchange controls	Import duties	Sanitary restrictions that prohibit trade	Import license controls
Canada	None	Yes	No	Embargoed.
Belgium-Luxembourg	None	Yes	do	No.
France	Yes	Yes	Limited	Yes.
Spain	do	Yes	No	Do.
Switzerland	None	Yes	Limited	No.
West Germany	Yes[1]	Yes	No	Yes.
United Kingdom	do	Yes	Yes	Do.
Greece	do.[1]	Yes	No	Do.
Italy	do	Yes	do	Do.
Austria	do	Yes	do	Do.
Sweden	do	Yes	Yes	(?).
Denmark	do	Yes	do	Yes.
Ireland	do	Yes	do	Do.
Netherlands	do.[1]	Yes	do	Do.
Japan	do	Yes	No	Do.
Philippines	do.[1]	Yes	do	Do.
Pakistan	do.[1]	Yes	do	Do.
India	do	Yes	do	Do.
Malaya	do.[1]	Yes	do	Do.
Saudi Arabia	do.[1]	Yes	do	Do.
Iran	do.[1]	Yes	do	Do.
Iraq	do.[1]	Yes	do	Do.
Lebanon	do.[1]	Yes	do	Do.
Turkey	do	Yes	do	Do.
Argentina	do	Yes	do	Do.
Trinidad	do.[1]	Yes	Limited	Do.
Netherland West Indies	Free	Yes	No	No.
Bahamas	Yes[1]	Yes	do	Yes.
Brazil	do	Yes	do	Do.
Jamaica	do.[1]	Yes	do	Do.
Mexico	do.[1]	Yes	do	Do.
Bermuda	do.[1]	Yes	do	Do.
Panama	do	Yes	do	Embargoed.
Colombia	do	Yes	do	Do.
Venezuela	None	Yes	do	Do.
Peru	do	Yes	do	No.
Chile	Yes[1]	Yes	do	Yes.

[1] Limited dollar exchange being made available.

FRANK H. FLEER CORP.,
Philadelphia, Pa., July 2, 1958.

Hon HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: Convinced of the importance of expanding foreign trade to the sustained vitality and growth of the American economy and to our national security in a troubled world, I wish to express my support for H. R. 12591, a bill to continue the Trade Agreements Act for another 5 years.

I support this bill—particularly the need for a 5-year renewal, the new tariff-negotiating authority for the President, and the retention in the Presidency of authority to dispose of Tariff Commission recommendations according to the dictates of the national interest—because its provisions, on the whole, will help the United States exert its influence in reducing the barriers to trade in the free world. Much more than a liberal trade policy is needed if we are to achieve our objectives of economic health and national security. But a policy of trade liberalization is an indispensable part of the effort we must make to further those objectives.

Expanded foreign trade, with its many constructive implications for our national economic well-being and our Nation's security, is important to me as a citizen. It is also important to me as a business executive whose company depends on export sales for more than 10 percent of its total business.

Our product, in its full-blown simplicity, is bubble gum. I harbor no pretensions—and I make none—that bubble gum is one of the essentials of a richer life in our own market or in the markets to which we export. It is, however, one of the huge numbers of nonessentials that go into making up the frosting on the cake of our standard of living. More and more luxury goods for more and more people who can afford to pay for them and who seek an ever-expanding variety of goods from which to choose—this is the dynamic American economy at work.

I submit that, to the extent that foreign purchasing power and dollar reserves permit rising purchases of bubble gum from the United States, such increases will reflect increments in economic vitality and political stability of great value to us all.

An expanding volume of foreign trade, to which a policy of freer trade has contributed so much for the past quarter century, has been good business for the American economy. Increased foreign trade is good for the other nations of the world; it means business, jobs, and more and better goods—the luxury kind as well as the essentials—available to the consumer.

A sustained increase in the flow of nonessential consumer goods across national borders signifies and contributes to healthier economic conditions in the buying nations, and it means happier consumers. A happy consuming public is an indispensable ingredient to economic strength and political stability. Countries that enjoy both are the best kind of allies in an alliance confronted by the dangers of aggression and subversion. American-produced luxury goods are highly desired by consumers all over the world, but the ability of foreign nations to allocate dollars to pay for the quantities of luxury goods their importers wish to order is greatly restricted. The limitations that the realities of the foreign exchange situation have placed on currency convertibility have thus seriously restricted the convertibility of consumer desires into dollar purchases.

This already has impact on my company. At the present level of tariffs in foreign countries, where ever-increasing local production of lower priced competitive products is evident, we are attempting to sustain and increase our export sales purely on the basis of higher quality and better merchandising methods. The price of our product to the ultimate consumer abroad is rigidly confined to the specific coinage involved. Increased tariff costs abroad, therefore, could not be passed on to the consumer and we would be forced completely out of many foreign markets. There is a maximum acceptable price, even on quality products, if appreciable sales volume is to be maintained and increased.

In the recent past, it was only the active pursuance of the positive reciprocal trade agreements features, supported by the facilities offered by mutual agreements under GATT, that we, and other American manufacturers, were able to persuade a tariff commission in western Europe not to heed representations by local manufacturers of competitive products to have prohibitive tariffs levied against imported products of the type we make.

A foreign trade policy on the part of the United States that promotes United States import trade—the major source of dollars available to the rest of the world—will foster an expansion of our export trade, which is so important to so many American industries. A steady improvement in the world's dollar position will lead to an increased flow of luxury goods from this country—the kinds desired by adults and the kinds desired by children. This is good business for our own producers, with good economic and political implications for the consuming countries. The result all around?—a spur to economic well-being and national security for all concerned.

When more foreign nations can afford to allocate more dollars to pay for more bubble gum from America, that will of course mean more business for my small company. Because it would mean much more is the principal reason for my addressing this statement to the Committee on Finance. It would mean closer ties between American people and the consuming public abroad. It would mean stronger, more dependable allies for the United States. It would signify rapidly rising standards of living, meaning enhanced market potential for American exports of all kinds.

Freer international trade tends to foster that kind of world. It is an indispensable force in reducing the import and exchange controls that in many parts of the world still pose serious barriers to the freer flow of goods in international commerce. Without a policy of freer trade, we stand no chance of protecting the great stake we have in exports in western Europe, for we would not have at our disposal the negotiating authority we must have to achieve a lowering of external tariffs of custom unions like the European Common Market. A 5-year extension is essential to meet that problem with businesslike effectiveness.

A 5-year extension is essential for another reason. Ours should be a foreign-trade policy in whose dependability our own importers and exporters and those of other nations can have confidence—the kind of confidence necessary to stimulate investment in trade promotion without the fear that success in the expansion of trade will be penalized by new restrictions enacted into legislation at the next short-term renewal of the Trade Agreements Act. We rightly express our concern over the lack of a suitable climate for United States private investment in many parts of the world. We should not tarnish our own record in this respect by penalizing the success of those who invest capital—trade promotion capital—in our own country.

As a bubble-gum manufacturer, I can quite properly urge the Senate to eschew any and all efforts to foist restrictive trade policies and any form of economic isolationism on the American people. I can properly urge the Senate to enact legislation which prevents the machinery of the international exchange of goods and services from becoming stuck with restrictions that hurt the consumers of all nations. And I can properly say, as I did before the House Ways and Means Committee, that I do not want to see our professions of belief in free-world unity, our announced support of democratic institutions everywhere, and our proclaimed devotion to the rising of living standards throughout the community of free nations become just a huge bubble, easily burst by the dangerous consequences of a policy of trade restriction.

I believe that the national interest demands your support of H. R. 12591 if we are to move confidently toward the goals I have sought to define.

Very truly yours,

GILBERT B. MUSTIN, Jr.,
Executive Vice President.

NORWALK, CONN., *June 5, 1958.*

Hon. HARRY FLOOD BYRD,
Chairman of the Senate Finance Committee,
Washington, D. C.:

As a resident of Westport and manufacturer of Norwalk, both in the Fourth Congressional District of Connecticut and a citizen of the United States of America, I ask the committee to stimulate international trade and develop a favorable foreign-trade policy by supporting the reciprocal trade agreements program bills, H. R. 10368 and H. R. 10369, and make this appeal part of your record.

HAROLD W. KEPHART,
Paperboard Laminating Corp.

(Whereupon, at 1:35 p. m., the committee recessed, to reconvene at 10:05 a. m., Friday, June 27, 1958.)

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