TRADE AGREEMENTS ACT EXTENSION

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

JUNE 27, 30, JULY 1, 2, 3, 1958

PART 2

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TRADE AGREEMENTS ACT EXTENSION

FRIDAY, JUNE 27, 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 Harry Flood Byrd (chairman) presiding.

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

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

The first witness is Mr. O. R. Strackbein, chairman of the Nation-Wide Committee on Import-Export Policy.

Will you proceed?

STATEMENT OF O. R. STRACKBEIN, CHAIRMAN, THE NATION-WIDE COMMITTEE ON IMPORT-EXPORT POLICY

Mr. STRACKBEIN. My name is O. R. Strackbein.

I am the chairman of the Nation-Wide Committee on Import-Export Policy.

I may say that this committee is composed of organizations of industry, of labor, and agriculture that have in common among them the problem of import competition.

If it is so desired, Mr. Chairman, I will be very glad to give a list of the names of our members.

The CHAIRMAN. It may be filed.

Senator MARTIN. Why not submit it for the record?

Mr. STRACKBEIN. Yes, sir.

(The list is as follows:)

LIST OF MEMBERS AND ASSOCIATES OF NATION-WIDE COMMITTEE OF INDUSTRY, AGRICULTURE AND LABOR ON IMPORT-EXPORT POLICY

American National Cattlemen's Association
United Mine Workers of America (Ind.)
National Wool Growers Association
American Tung Oil Association, A. A. L.
Seafarers International Union of North America (AFL-CIO)
Wine Institute
American Flint Glass Workers' Union of North America (AFL-CIO)
Florida Fruit and Vegetable Association
The Hat Institute, Inc.
Book Manufacturers Institute, Inc.
Bicycle Institute of America, Inc.
Cordage Institute

The United States Potters Association
Atlantic Fishermen's Union (AFL-CIO)
American Lace Manufacturers Association, Inc.
International Photo Engravers' Union of North America (AFL-CIO)
California Walnut Growers Association
California Almond Growers Exchange
Pin, Clip and Fastener Association
Amalgamated Lace Operatives of America (Ind.)
National Association Greenhouse Vegetable Growers
United States Wood Screw Service Bureau
United States Machine Screw Service Bureau
United States Cap Screw Service Bureau
Service Tools Institute
Oregon Filbert Commission
American Knit Handwear Association, Inc.
Pacific Coast Fish Producers Institute
Cannery Workers Union of the Pacific (AFL-CIO)
Cannery Workers & Fishermen's Union (AFL-CIO)
Wyoming Wool Growers Association
Carpet Institute, Inc.
Harley-Davidson Motor Co.
The Dow Chemical Co.
John B. Stetson Co.
Onondaga Pottery Co.
National Creameries Association
The Wall Paper Institute, Inc.
Reynolds Metals Co., Inc.
Hardwood Plywood Institute
American Glassware Association
Wm. Ainsworth & Sons, Inc.
Scientific Apparatus Makers' Association
Tile Council of America
Air Products, Inc.
Industrial Fasteners Institute
American Tunaboat Association
International Leather Goods, Plastics & Novelty Workers Union (AFL-CIO)
International Brotherhood of Operative Potters (AFL-CIO)
The Diamond Gardner Co.
Pacific Match Co.
Cupples Co.
Massachusetts Fisheries Association, Inc.
Seafood Producers Association of New Bedford
Mushroom Growers Cooperative Association
National Authority for the Ladies Handbag Industry
American Cyanamid Co.
United Hatters, Cap & Millinery Workers International Union (AFL-CIO)
Pass and Seymour, Inc.
Hoffman-LaRoche, Inc.
Idaho Wool Growers Association
California Fig Institute
American Zinc, Lead & Smelting Co.
Monsanto Chemical Co.
Young Aniline Works, Inc.
Food Machinery & Chemical Corp.
Pharma Chemical Corp.
Pfister Chemical Works, Inc.
Texas Sheep and Goat Raisers Association
Hooker Electrochemical Co.
American Fine China Guild
Umbrella Frame Manufacturing Industry
National Match Workers' Council
Rhode Island Textile Association
Allied Chemical & Dye Corp.
Carus Chemical Co.
Five Star Fish & Cold Storage
Fuller Brush Co.
E. S. Mayer & Son

Pittsburgh Plate Glass Co.
American Thermos Products Co.
Arnold, Schwinn & Co.
Canonsburg Pottery Co.
The Central Silica Co.
The Chemstrand Co,
Commercial Decal, Inc.
American Dehydrated Onion and Garlic Association
Detroit Steel Corp.
Dolan Steel Co., Inc.
B. F. Drakenfeld & Co., Inc.
Engelhard Industries, Inc.
Feldspar Corp.
Ferro Corp.
Fostoria Glass Co.
Fourco Glass Co.
French Saxon China Co.
The Hall China Co.
The Harris Clay Co.
Harshaw Chemical Co.
Hartford Steel Ball Co., Inc.
The Homer Laughlin China Co.
Illinois Coal Operators Association
Imperial Glass Corp.
Independent Domestic Fluorspar Producers Association
The Edwin M. Knowles China Co.
Mayer China Co.
Mesinger Manufacturing Co., Inc.
National Lead Co.
New Castle Refractories Co.
Northern West Virginia Coal Association
Pemco Corp.
Pennsylvania Pulverizing Co.
Persons-Majestic Manufacturing Co.
The Potters Supply Co.
The Risdon Manufacturing Co.
Rockwell Manufacturing Co.
The Salem China Co.
H. C. Spinks Clay Co.
Star-Kist Foods, Inc.
The Sterling China Co.
Swindell-Dressler Corp.
Taylor, Smith & Taylor Co.
The Torrington Co.
United Clay Mines Corp.
Universal Potteries, Inc.
Van Camp Sea Food Co.
Vitachrome, Inc.
The Wellsville China Co.
Westfield Manufacturing Co.
Westgate-California Corp.
The S. O. Williams Co.
Detrex Chemical Industries, Inc.
United Glass and Ceramic Workers of North America.
Penzac Oil Co.
Phelps Dodge Corp.
Sayles Biltmore Bleacheries, Inc.
Bausch & Lomb Optical Co.
Brewer Manufacturing Co.
Columbian Rope Co.
Delta Electric Co.
The Eagle-Picher Co.
Harnischfeger Corp.
Kelly-Springfield Tire Co.
McCauley Metal Products, Inc.
Ohio Rubber Co.
Wyckoff Steel Co.

Mr. STRACKBEIN. It is the purpose of this statement to analyze those features of H. R. 12591 that we regard as unacceptable and indeed against the best interests of the many industries that would be affected adversely by the bill's passage.

We believe that H. R. 12591 disregards some of the most justifiable complaints lodged against the administration of the trade agreements program by those who have been injured by import competition.

Experience with the escape clause, in particular, has been distressing to industries that have in good faith looked to the machinery and procedures provided by Congress for relief from serious injury caused by increasing imports.

I do not believe that the House of Representatives is as indifferent to the welfare of the many industries, miners, farmers, growers and workers that have complained about imports, as the vote of that body on H. R. 12591 would indicate.

This is not to say, Mr. Chairman, that the House voted blindly; nor is it the purpose here to blame the inordinate and I may say rampant lobbying that went with the bill's progress.

The principal trouble lay in the rules of the House and the particular rule under which this bill was considered.

This was a so-called modified closed rule which severely limited any rounded consideration of the rather complicated issue.

The limitation prescribed by the rule was unfortunate precisely because the difference that divided the proponents and opponents of the bill was a matter of degree. One disagreement, for example, was over the length of time for which the extension should be made: 2 years or 5 years.

Another and perhaps more important disagreement was over the question of congressional versus executive control over Tariff Commission recommendations.

A third difference lay in the treatment of products that are necessary to the national security.

A fourth lay in the peril point proceedings.

By forcing these somewhat varied provisions into a single substitute bill it was not possible to go to the merits of each particular point. Therefore the vote was not a clear expresssion on the time period, i. e., 2 years versus 5 years, nor on the question of restoring to Congress its authority over the regulation of foreign commerce or the several other provisions on which there was a difference.

None of these points could be voted on separately, even though each one was of sufficient importance to justify a separate vote.

It is therefore hoped that more detailed consideration may be given to these points by this committee and by the Senate.

This statement will confine itself to what are undoubtedly the two leading points. One is the number of years of the renewal. The other is the question of congressional authority over Tariff Commission findings as opposed to complete domination by the Executive. I shall address myself to these two points from here on.

Mr. Chairman, our concern over the 5-year extension is very clear and, I would hope, very compelling. A 5-year extension of the trade agreements program would to all intents and purposes exclude the many industries, mining interests, fisheries, farmers and workers

who take the brunt of foreign competition from making a reentry into the legislative channels for the full 5-year period.

It would for all practical purposes be the same as closing the doors of Congress during that period so far as general tariff and trade legislation is concerned.

It is difficult indeed to reconcile such a proposal with the very principles of our Government. Two new Congresses will have been elected and will have run their course during this period, without having the opportunity to express themselves on an issue that is very important to those who sent them here.

In these unsettled days 5 years is a long time—particularly in the field of international relations and in view of the great economic and competitive developments abroad, as a result of which one domestic industry after another that was previously unharmed by imports finds foreign products progressively capturing more and more of the domestic market.

Congress should not absent itself, so to speak, for so long a period. Constitutionally it really has no right to do so. It should be possible whenever the need for legislation arises to find the legislative channels open, and not locked by the key of a moratorium.

The reason advanced for the moratorium of 5 years is found in the desire to introduce stability into our foreign economic policy.

Other countries, it is said, find it disconcerting to be confronted with the possibility of tariff changes in this country when such countries greatly increase their exports to these shores. They will not bother to expand their markets here for fear that if they are successful we will raise our tariff or impose a quota.

Parenthetically it might be said, Mr. Chairman, that actually the escape clause cases that have been processed have not impeded imports.

Imports have gone right ahead and in fact in a number of instances have increased before, during and after escape-clause actions.

On the other hand, it seems to matter little or nothing that the lack of safeguards, the want of a remedy, confronts our own industries with uncertainties at least as grave as those faced by other countries when they ship goods into this country.

The House bill would have the effect of throwing nearly the whole burden of uncertainty over the future upon our own industries while seeking to assure other countries of stability.

Five years of uncertainty will greatly cripple some of our industries as indeed uncertainty in recent years has already done.

We hoped that the House would recognize this fact but were handed a nettle for our pains.

The maximum extension in our judgment should be for 2 years. One year would be preferable in view of the present uncertainty in the very elements that undoubtedly weighed heavily in the judgment of the House, namely, the European Common Market and the Russian economic challenge.

I might interpolate here to say that the uncertainty of the European political situation is such that no one knows whether the European Market will actually develop or not, and the same with the Russian situation.

Mr. Chairman, it seems to me that being bound up in the general agreement on tariffs and trade in the manner that we would be for 5 more years under the bill, is one of the least appropriate methods of either confronting Russia economically or the European Common Market tariffwise.

We should keep ourselves as a nation in a more flexible position and avoid these handcuffs.

For example, should we undertake to engage Russia in a campaign of economic warfare we would above all need maneuverability, such as is not provided under GATT nor for that matter by private international trade itself.

We would find it necessary to engage in State trading to an unknown extent. The trade agreements system would be of little or no help; in fact, it might be a liability.

As for the European Common Market, once more the GATT system would work to our disadvantage in tying our hands in a manner quite suitable to the member countries of the European bloc. They could outvote us 6 to 1 and later possibly 16 or 17 to 1, even though their population would be about equal to our own.

The other point of extreme importance in this legislation is the one of control over our foreign trade.

The Constitution is very clear on this point. No one questions this. The trouble has arisen under the delegation of power that has been made from time to time by Congress to the executive branch under the trade agreements program.

Under this delegation the actual power of Congress has been alienated and overwoven by a network of international commitments that in point of fact greatly constricts the freedom of Congress to legislate, and directly threatens its standing as an independent and self-determining body.

It has become obvious under the present escape-clause procedures that Congress has lost its influence: In fact, through an unfortunate wording of the escape clause gave it away.

As matters stand today the voice of Congress in the escape clause extends not one inch beyond the outer portals of the Tariff Commission. Once a recommendation leaves the Tairff Commission on its way to the White House the authority of Congress is instantly and completely dissolved.

The President presumes not to be bound by the criteria laid down by Congress in the escape clause and makes his own disposition of the Tariff Commission's recommendation as he sees fit, unrestrained by any legislative mandate. The guidance contained in the delegated power, to repeat, does not extend beyond the Tariff Commission.

The result is that the President operates under delegated power without any restraint beyond the need of writing identical letters to the Finance Committee of the Senate and the Committee of Ways and Means of the House, and Mr. Chairman, apparently those letters are very easily written.

It is this absolute power of the President to dispose of Tariff Commission recommendations as he pleases that gives rise to most of the complaints that are made against the administration of the Trade Agreements Act.

The effect of this unlimited power, from which there is no appeal, is to enthrone foreign relations as the supreme arbiter over our foreign trade.

The President takes his cue on escape-clause cases principally from the State Department because of its function in the conduct of foreign affairs. The Secretary of State has said that foreign affairs weigh very heavily in the State Department's advice to the President in escape-clause cases.

He so testified before the House Committee on Ways and Means and I believe that he took a similar position before this committee.

However, he also maintains that he gives equal weight to considerations of the domestic economy, such as the injury being inflicted by imports on a domestic industry.

The fact is nevertheless that the State Department's concern is with foreign relations and that these relations, intricate and pressing as they are, tend to crowd out the domestic considerations. Someone else or some other branch of the Government must speak for the people back home if their voice is really to be heard rather than merely listened to and then disregarded.

This is the function of Congress. The Constitution makers placed upon Congress those powers that most closely affect the people, such as taxes, war-declaration, appropriations, the regulation of trade, et cetera.

The most sensitive ones among these must originate in point of legislation in the House, which in turn is the more sensitive of the two Houses to the sentiment of the people, by virtue of the fact they are elected every 2 years and the number is many times greater than the membership of the Senate.

Laying of duties is one of the legislative functions that must start in the House.

It must be clear that when the control over foreign trade such as is centered in the escape clause is brought under the unlimited power of the executive, particularly under circumstances in which foreign affairs are most likely to outweigh the considerations of the domestic economy, this sensitivity and responsiveness provided for this Constitution is not only weakened but actually destroyed.

The proof of the pudding is in the eating. What might have been expected from the present system of this executive domination has happened in fact. The escape-clause route has been strewn with the bones of rejected cases. The President since 1951 has refused to put into effect at least 2 of every 3 Tariff Commission recommendations, including 7 or 8 unanimous ones. The latest is the lead and zinc case.

The Tariff Commission itself has failed to find injury in well over half the cases brought before it (some 50 out of 84 cases), thus showing that only the most serious cases have a chance of Tariff Commission support.

The President has promulgated a tariff increase in only 9 cases and 7 of these have related to products of minor commercial significance, such as hatters' fur, alsike clover seed, linen toweling, spring clothespins, et cetera.

I don't mean to say the cases are not important to the particular communities or the people employed in those particular industries, merely because they are small.

I do say that of the 9 cases approved by the President 7 were of minor commercial significance.

This record, I repeat, might have been expected, had not three Presidents in succession, in talking to the Nation, repeatedly given assurances that no domestic industry would be placed in jeopardy by the trade agreements program.

Evidently that was for public consumption and to avoid the spread of dissatisfaction to the general public from the industries that have been turned away.

The Congress has on its part on three occasions amended the escape clause to make certain that its intent was clear.

Yet no difference could subsequently be detected in the final outcome of the cases brought under the amended law.

The inevitable conclusion is that so long as this absolute power to override the Tariff Commission is allowed to reside in the President precisely so long will the future experience with the escape clause remain the same as in the past.

That is why the executive power should be curbed in the very delegation of authority itself. This should be done in such a manner that Congress will be able to determine how its delegation of power under the escape clause is to be carried out.

As it is, this is impossible because the President cannot be restrained since he acknowledges no guidelines established by Congress and feels free to do as he wishes with a power that belongs to the Congress and not to him.

Mr. Chairman, there are several alternate ways by which the law could be amended to assure the final authority of Congress in the premises. However, the method proposed in H. R. 12591 is not one of them.

In conclusion, Mr. Chairman, a word about the State Department and executive policy in this whole field. There is an almost pitiful faith placed in the trade agreements program to pull us out of our international difficulties.

This faith borders on desperation and numbers among its adherents the various women's organizations that believe that trade leads to peace of the world although even now trade is to be used as a weapon of economic warfare against Russia.

The actual value of the trade agreements program to the State Department, however, lies principally in the enhancement of the executive power. It gives the Department more ammunition and a feeling of a broader range of power in negotiations.

It is more than doubtful, however, that the power borrowed from Congress and toward which the Department now adopts an attitude of outright ownership, has really helped our foreign relations.

To a considerable extent the present Russian economic challenge is an outgrowth of the foreign economic policy of this country. Our posture of world economic and political leadership, resting all too heavily upon the principle of buying our way through, has given Russia the means of driving us from pillar to post; also, it has placed a powerful weapon in the hands of countries that seek to play us off against Russia.

So long as our diplomacy continues to proceed on the policy of buying our way through rather than standing on principle, so long will

the State Department continue to ask for additional chips from the people and so long will the need for more chips continue unassuaged. The trade agreements program with its call for further tariff reductions is but a measure of the weakness of our diplomacy.

What is now proposed in H. R. 12591 is more of the same rather than a redirection of a bootless and bottomless policy.

We give our support to the amendment to H. R. 12591 introduced into the Senate on June 24 by Senator Strom Thurmond and strongly urge this committee to adopt it. This would restore some of the balance now lacking in the trade agreements program.

Mr. Chairman, that concludes my written statement

I have a few documents that I would like to insert in the record.

The CHAIRMAN. Without objection they will be inserted in the record.

Thank you very much, Mr. Strackbein.

Will you briefly explain the Thurmond amendment?

Mr. STRACKBEIN. The Thurmond amendment provides, No. 1, for a 2-year extension, and, No. 2, for Tariff Commission recommendations to be sent to the Congress as well as to the President.

Should the President disagree with the Tariff Commission recommendation and seek to reject it, he would so propose to Congress.

If neither House acted or if a Congress did not take action within 60 days, the Tariff Commission's recommendation would go into effect.

In other words, the burden would be placed upon the President to obtain the approval of Congress to his proposal of rejection.

The difference between that and the present bill, the H. R. 12591, is that the burden in the latter is placed on an industry that has succeeded in gaining a favorable recommendation from the Tariff Commission.

Under the present bill, the bill before this committee, a Presidential veto or rejection of a Tariff Commission recommendation would stand unless overridden by the two-third vote majority of both Houses of Congress. There is a very considerable difference between these two proposals.

In the Thurmond bill recognition is given to the fact that the original power of regulating foreign commerce and the constitutional responsibility of laying and collecting taxes and duties resides in Congress.

The President's right is only secondary. It is a delegated power and, therefore, the bill recognizes that Congress should have the last word, and that it should be the burden of the President to gain the support of Congress rather than the other way around.

To set up an administrative recommendation on the same basis as a law of Congress requiring a two-thirds vote to override the President does not seem to be justified.

A recommendation of the Tariff Commission is not an act of Congress. It is one step in an administrative process, one step in an administrative process, may I repeat, carried out under law that has already been passed and already been signed by the President.

Therefore to put a recommendation of the Tariff Commission and its rejection by the President on the same basis as the overriding of a veto of a law passed by Congress, does not seem to be justified and the Thurmond amendment makes that distinction.

The CHAIRMAN. Thank you very much, sir.

Mr. STRACKBEIN. Along with that, the Thurmond amendment would, instead of granting the President 25 percent reduction powers in the tariff, cut that down to 10 percent.

The CHAIRMAN. Yes, sir.

Have you concluded?

Mr. STRACKBEIN. Yes, sir.

The CHAIRMAN. Thank you very much.

Are there any questions?

Senator KERR. Yes.

I want to ask questions.

Is it your concept that the Tariff Commission is an agency of the Congress?

Mr. STRACKBEIN. Yes, sir.

Senator KERR. Created by the Congress to carry out a function in connection with the responsibility of the Congress under the Constitution relating to the regulation of trade and commerce?

Mr. STRACKBEIN. Correct.

Senator KERR. Then does it not seem like more than delegation of an authority, and rather the abandonment of an authority and repudiation of a responsibility to say that the Executive can nullify or refuse to recognize or consider the recommendation of this agency set up by the Congress unless the Congress then, at a later time, supports its own creature by a two-thirds vote of both Houses?

Mr. STRACKBEIN. Yes, Mr. Kerr, I would go along with that, and say that it was in fact, or that the action taken by Congress in granting this power, did in fact result in abandonment by the Congress.

Whether it was so intended in the first place or not, it has come to that result.

Senator KERR. I asked you if it was not only a delegation of authority but an abandoning of the responsibility and power placed upon the Congress by the Constitution.

Mr. STRACKBEIN. Yes, I would agree with that except that I do not want to say that Congress intended such abandonment when it delegated this power.

The fact has come about and so I do not suppose it makes much difference whether this was intended by Congress or not.

Senator KERR. I agree with you that they did not intend to. I am only addressing myself in my question to the actual net result of the action.

Mr. STRACKBEIN. I agree with you a hundred percent.

Senator KERR. Do you know who is going to be the next President of the United States?

Mr. STRACKBEIN. No; I have not the remotest idea. I don't even know who the nominees will be.

Senator KERR. Does it not seem like an amazing and, in fact, astounding situation for Congress for a period of 3½ years to thus abandon its authority and its responsibility to an identity which not a single Member of the Congress has the remotest idea of who it might be?

Mr. STRACKBEIN. It seems preposterous to me, Mr. Kerr, that such a thing should be proposed, should be seriously proposed.

Senator KERR. And for a period of 3½ years to give to a personage whose identity is not known, whose attitudes could not be known, practically complete authority to disregard the overall recommendations made by a creature of the Congress itself?

Mr. STRACKBEIN. I frankly don't believe that the proposal is constitutional; I don't think it carries out the spirit or the letter of the Constitution, and yet it is one of those things that is like the old story where you are told that they cannot put you in jail when in fact you talking through the bars to the person who is in jail.

In other words, this apparently cannot come about but it has come about.

Senator KERR. And is proposed by this bill?

Mr. STRACKBEIN. And it is proposed to bless this with the support and the vote of Congress. To me it is almost inconceivable that Congress should seriously propose taking such a step.

Senator, this is the same as saying to the people back home, to the interests that are clearly at stake, in the matter of increasing imports that for 5 years they will not have a chance to come before Congress and have a bill introduced and heard by the Ways and Means Committee to change the system.

It was always my impression that we had elections in this country for the very purpose of testing the changing sentiment of the country.

Now what good would it do to test this change of sentiment in the country if it cannot be expressed in the Halls of Congress?

Senator KERR. In other words, this Congress, if it passed this bill, would be saying, in effect, that an authority vested in the Congress by the Constitution would be denied exercise by the next two Congresses?

Mr. STRACKBEIN. Correct.

Senator KERR. But would rest firmly and finally in the hands of the Chief Executive, the identity or attitudes of whom are both unknown at this time by the Congress so delegating that authority?

Mr. STRACKBEIN. That is correct.

There is another angle to this, Senator, and that is the position of the State Department.

It is the function of the State Department to carry on our foreign relations. That is their business. They look outwardly from the United States. They try to maintain friendly relations with other countries, and I say that is their function. They are supposed to do that, and they are in their field when they operate in that fashion.

Now when this sort of authority is given into their hands to make trade agreements, to use trade as a pawn in diplomacy, I believe that it is entirely human that they should become extremely impatient of anybody, including the Congress of the United States, looking over their shoulder and restraining them.

They feel that they can do this job so much better.

Senator KERR. Would not they have some reason to have that attitude if this Congress gave them that unlimited authority for 3½ years beyond the end of this present Executive's term?

Mr. STRACKBEIN. They would feel that they had been confirmed in what they have done and what they have been doing. There is no question about it.

Senator KERR. I want to thank you for your statement. It is one of the best I have heard on this question.

Are there other questions?

Senator WILLIAMS. No questions.

Senator DOUGLAS. I wondered if I might ask Mr. Strackbein a question or two.

Mr. Strackbein, how frequently do you think that Congress should review tariff policy?

Mr. STRACKBEIN. I think that should depend entirely upon the demand of the interested parties as to how often they thought the law should be reviewed.

In other words, if the law were satisfactory, I see no reason why it should be reviewed in more than once in 10 or 20 years. It all depends; I don't think you should put a time period on it.

Senator DOUGLAS. Well, the period in this bill is only 5 years. In 5 years we would have a chance to review the tariff policy.

Senator KERR. Would the Senator speak a little louder?

Senator DOUGLAS. Yes; I say under the present bill there would be another review in 5 years.

You suggested 10 or 20 years?

Mr. STRACKBEIN. No, Mr. Douglas, I have not suggested 10 or 20.

Senator DOUGLAS. I thought you did.

Mr. STRACKBEIN. I said there should be no time period specified.

Senator DOUGLAS. Well, do you think it should be reviewed every year?

Mr. STRACKBEIN. I say it should be reviewed when the necessity for it becomes clear.

Senator DOUGLAS. And who is to be the judge?

Mr. STRACKBEIN. Without any relation to any particular time period.

Senator DOUGLAS. Who is the judge of the necessity?

Mr. STRACKBEIN. The people most affected.

Senator DOUGLAS. Who are they?

Mr. STRACKBEIN. The people of the United States.

Senator DOUGLAS. Yes; and how do they make their desires known?

Mr. STRACKBEIN. Presumably by communication with their elected representatives.

Senator DOUGLAS. So that when any considerable group of people want to have the tariff revised then Congress, beginning with the Ways and Means Committee of the House, would hold hearings?

Mr. STRACKBEIN. Yes, sir; if there were sufficient substance in these requests for revision.

Senator DOUGLAS. Isn't it true that at any one time there are groups dissatisfied with any law?

Mr. STRACKBEIN. Undoubtedly.

Senator DOUGLAS. And isn't it probable that if your demands were laid down at every session, that possibly every session and every year there would be demands for revisions of the tariff and rather strong demands?

Mr. STRACKBEIN. Now, Senator, if you will go back into the tariff history of the United States, you will find that there was not a demand for legislation on the tariff every year or two. The 1913 tariff, the Underwood tariff remained in effect until the emergency tariff act, right after World War——

Senator DOUGLAS. The Tariff Act remained in effect as long as the Democratic Party was in power. But when the Republican Party came into power in 1921, we had the Fordney protective tariff.

Mr. STRACKBEIN. Well, there had been an election in the meantime.

Senator DOUGLAS. Yes.

Mr. STRACKBEIN. It seems to me entirely appropriate if this question was a public or national issue that there should have been another tariff bill.

Senator DOUGLAS. You approve of the Fordney tariff of 1921?

Mr. STRACKBEIN. Do I approve of it?

Senator DOUGLAS. As compared with the Underwood tariff of 1913.

Mr. STRACKBEIN. Well, I have never had occasion to make the kind of analysis that would be necessary to answer the question. The Underwood tariff was superseded very shortly by the outbreak of the European war, and I do not believe that the Underwood tariff was ever really tested economically.

Senator DOUGLAS. Do you think the Smoot-Hawley tariff was an improvement over the Fordney tariff?

Mr. STRACKBEIN. You mean in the rates?

There were some increases in the rates. I would not say all tariff rates are necessarily beneficial.

Senator DOUGLAS. Very appreciable increase.

Do you think the effects of the Smoot-Hawley tariff were good?

Mr. STRACKBEIN. Senator, the increases were not as great as is sometimes supposed. Keep in mind that many of our tariffs are specific duties, so much per piece, per dozen or the like. They have no relation to the price of the goods.

Now one reason why the Hawley-Smoot tariff seemed to be so high was that there was a tremendous decline in prices while the specific tariff rates remained the same. Therefore the protective incidence increased.

Senator DOUGLAS. Well, the price decreases came after rather than before it was enacted.

Mr. STRACKBEIN. The rate on sugar was 2 cents a pound and 1.76 when it came from Cuba. The price when that was first legislated, the price of sugar was probably, let us say, around 5 or 6 cents a pound.

In the early 1930's this price fell below 1 cent, so the duty was automatically raised 100 percent or over. But that was not the fault of the Smoot-Hawley tariff as such. It was the system of specific versus ad valorem duties.

Senator DOUGLAS. Even at the prices prevailing in 1930 and prices had not fallen so greatly by 1930—the Smoot-Hawley tariff was appreciable increase over the Fordney tariff of 1921?

Mr. STRACKBEIN. It was an increase; yes.

Senator DOUGLAS. Do you think on the whole there was an improvement?

Mr. STRACKBEIN. I would not judge a tariff, a broad tariff bill on the basis of whether or not it increased rates percentagewise. I would not judge a tariff bill in that manner.

Senator DOUGLAS. Do you think the so-called Hull Act of 1934 was a step backward from the Smoot-Hawley tariff?

Mr. STRACKBEIN. I do not think it was a step backward. I think the way it has been administered, this law has been administered, has been retrogressive; yes. I do not think it needs to have been administered the way it was, Senator.

Senator DOUGLAS. With my brief service on the Finance Committee, I find we have many complicated questions of taxation and social security to deal with.

Mr. STRACKBEIN. Yes.

Senator DOUGLAS. And the same thing is true of the Ways and Means Committee of the House and if on top of that you superimpose the job of passing on specific tariff schedules which are extremely complicated, do you think we have really the leisure and the knowledge to deal with those issues?

Mr. STRACKBEIN. Senator, what is advocated by the organization of which I am the chairman is not a return to tariff writing by Congress, or the committees of Congress. We are not advocating that. We have never advocated it, contrary to statements that you may from time to time read in the press of the country. And I may say that the press is very conspicuous by its absence this morning, as might be expected.

Senator DOUGLAS. But what you are saying is that the decisions of the Tariff Commission are to go into effect unless specifically overruled by Congress?

Is that what you said?

Mr. STRACKBEIN. The Tariff Commission's recommendations; yes. These are not so numerous. These are not so numerous, I repeat.

Since 1951 there have been about 28 recommendations to the President. That is a period of 7 or 8 years, and that would come down to 3 or 4 or 5 cases a year on the average—at least if the present rate were continued. And I don't believe that that is too many.

Senator DOUGLAS. Each one involving an industry?

Mr. STRACKBEIN. Each one involving a product, not necessarily a whole industry, but a product, a product of commerce; yes.

Senator DOUGLAS. It would require a very thorough examination?

Mr. STRAKBEIN. The Tariff Commission makes the examination.

Senator DOUGLAS. I mean by Congress. We cannot delegate everything.

Mr. STRACKBEIN. Senator, you have already provided for a Tariff Commission, presumably a competent body in this field. We are not asking that you go into each little detail of a Tariff Commission decision. That is the purpose of the Tariff Commission.

If the Tariff Commission is not functioning properly and if it is not competent then one should be set up that is competent.

Senator DOUGLAS. We would have a chance to review their decisions because we would have to decide whether or not they would go into effect and that would require that we become acquainted with the facts upon which they made their decision.

Mr. STRACKBEIN. Just this comment: You will admit, I believe, that the President is also a busy man, then why should this function be saddled on the President when it is a function of the Congress in the first place?

Senator DOUGLAS. You think such a thing——

Mr. STRACKBEIN. As a matter of fact, I think the President would be very well advised to say to the Congress to carry on its own constitutional functions and not bother him with it.

Senator DOUGLAS. You think there is such a thing as a national interest as distinguished from a series of specific industrial local interests?

Mr. STRACKBEIN. I think that the national interest, the term "national interest," is undefinable.

Senator DOUGLAS. But there is such a thing, is there not?

Mr. STRACKBEIN. Yes, but what is it?

Senator DOUGLAS. It is supposedly the interest of the people as a whole.

Mr. STRACKBEIN. Yes, supposedly. But who will determine what that is?

Has anyone ever given a definition of the national interest that can be applied without vast disagreement among those who express their opinions?

Senator DOUGLAS. Of course it is true that the President is the one official who is elected by the people as a whole, whereas Members of the House of Representatives are elected from specific districts and Members of the Senate from specific States.

Mr. STRACKBEIN. You are saying then that the Constitution is wrong?

Senator DOUGLAS. No, no, I am not saying anything of the kind.

Mr. STRACKBEIN. Well, obviously the President is elected by all the people but Congress is elected by the people in a manner that makes them, the Members, more sensitive and more responsive than the President.

Otherwise there would have been no reason for dividing the country into districts and having elections every 2 years for the Members of the Congress.

The very purpose of that was to have a body of public spokesmen that were responsive to the people.

You will note also that in the judicial system the tenure of office is entirely different because the Constitution makers felt that in the judicial field there should not be that responsiveness.

A judicial judgment is supposed to be objective, free from the emotions and prejudices of the time, and therefore the Supreme Court members are put in there for life or during a period of good behavior.

But the Congress and particularly the House of Representatives was set up by the Constitution to be responsive and sensitive to the electorate; and this subject of tariffs and others including the regulation of commerce was given to the House. The laying and collecting of taxes and duties must originate in the House which is the most sensitive of all the governmental branches.

And, Senator, let me tell you, this is not an academic question. It is not a question merely to be debated by high-school students as an interesting subject.

I can tell you that this constitutional matter is a question of life and blood and substance.

Senator DOUGLAS. I am quite well aware of it.

Mr. STRACKBEIN. We feel it. We know how it works. We know what it is to be excluded from Congress. These industries that come

in here, some of them having gone before the Tariff Commission several times, not for the fun of it, not in order to pay legal fees, but because they were being badly injured, feel that Congress should carry out its function.

Senator DOUGLAS. Mr. Strackbein, there are two other sets of interests——

Mr. STRACKBEIN. And they had hoped there was a remedy such as the State Department had always publicly stated that there was, and they found out that there was not, and that is why we are here pleading for a change in this system.

Senator DOUGLAS. I do not want to prolong this. I will merely mention that there are two other sets of interests which are not as strongly represented by organizations such as yours. These are, first, the exporting interests, which have some degree of representation and some degree of interest, but not as strong as the industries which want tariff protection.

Then there is the great, relatively unorganized group of consumers, whose interests are diffused and frequently not recognized, but whose interests are extremely important, and I think the history of tariff making by Congress bears out the fact that these two latter sets of interests tend to be relatively disregarded.

Mr. STRACKBEIN. Well now, Senator, we are now in a state of very high consumer prices. This after 24 years of tariff reduction. If the consumer interests are so great, something else must have failed, because our tariffs have been reduced greatly during this period.

Senator DOUGLAS. There has been worldwide inflation, primarily caused by the——

Mr. STRACKBEIN. You would not say the tariff caused this?

Senator DOUGLAS. Primarily caused by the war, but prices would, in my judgment, have been higher if the tariffs had been higher.

In fact, the reason you want tariffs, protective tariffs, is to get higher prices. If it did not give you higher prices, you would not want them. We could argue with each other for a long time.

Mr. STRACKBEIN. That is not quite to the point. It is not necessarily that you want higher prices. You do not want your market disrupted by the uncertainties of shipments that come in here, and particularly in the time of a buyer's market, and disrupt the prices.

It is not altogether a question of the level of the prices. I think you would agree that the Sherman Antitrust Act, the Clayton Act, the Federal Trade Commission Act, the Robinson-Patman Act, and a number of other acts, call for fairness of competition.

Now fairness of competition sometimes does mean higher prices to the consumer, and that is what we are talking about with tariffs. We want fairness of external competition, and I think with the history of that kind of legislation going back as far as 1890, a long history in the domestic field, to assure fairness of competition, I think we are somewhat behind the times in undertaking to create fairness of competition on the front of import trade.

Senator DOUGLAS. That is all.

Senator KERR. Mr. Chairman, I would like to ask another question or two.

The CHAIRMAN. All right.

Senator KERR. Are you familiar with the first amendment to the Constitution, Mr. Strackbein?

Mr. STRACKBEIN. Well, I think I am.

Senator KERR. I want to read it to you, and I want to read it into the record. I would like for the Senator from Illinois to hear it.

Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech or of the press; or the right of the people peaceably to assemble and to petition the Government for a redress of grievances.

Applicable to this situation, it would read:

Congress shall make no law abridging the right of the people peaceably to assemble and to petition the Government for a redress of grievances.

Mr. STRACKBEIN. Correct.

Senator KERR. If we pass a 5-year extension of this act, do we not do just what this amendment says Congress shall not do, in that for a period of that time we would materially affect and impair the right of the people to petition the Government for a redress of grievances?

Mr. STRACKBEIN. Precisely; precisely.

Senator KERR. You and the Senator from Illinois had quite an illuminating discussion there on the national interest, and indicated a difficulty in defining it.

Senator DOUGLAS. No difficulty on my part, I will say to my good friend from Oklahoma. [Laughter.]

Senator KERR. Well, I do not know whether your failure to define it was because of the inability to do so or because you did not want to do so.

Senator DOUGLAS. I do not admit to any inability.

Senator KERR. I am aware of that disposition on the part of the Senator from Illinois. [Laughter.]

Is it possible that this might be a definition of the national interest: That it is the sum total of the individual interests of the people of the country?

Mr. STRACKBEIN. Yes. Of course, many of those interests might conflict with each other.

Senator KERR. I understand.

Mr. STRACKBEIN. So it is sometimes very difficult to come out with a——

Senator KERR. But the sum total of all the interests of all the people has some relationship to the national interest?

Mr. STRACKBEIN. Correct.

Senator KERR. Now the Senator was talking about how often Congress would be called on to act. It would not be called upon to act at all unless the President overruled or refused to carry out the recommendation made by the creature of the Congress, would it?

Mr. STRACKBEIN. No; no.

Senator KERR. He said if you superimposed the job of regulating the tariffs upon the Congress, would it not be a burdensome and oppressive load that we would have to carry.

I did not understand that you were in the posture of putting that burden on the Congress.

Mr. STRACKBEIN. I think that was done in 1789.

Senator KERR. I understood you to refer to the fact that was done by the Constitution.

Mr. STRACKBEIN. That is right.

Senator KERR. And it would seem to me that it might be appropriate at any time the Congress got to where it was unwilling or unable to carry out the responsibility imposed upon it by the Constitution, it either ought to move in the manner provided by law to let the people decide whether that ought to be amended or, if the burden was so intolerable on the Members of the Congress, they might retire and let others assume the position who would be willing to meet the responsibility imposed upon them, not by you as a witness, but by the Constitution itself.

Mr. STRACKBEIN. Yes. I agree with that.

Senator KERR. Thank you.

The CHAIRMAN. Are there any further questions?

Senator CARLSON. Mr. Chairman, just one.

Mr. Strackbein, there has been some discussion here about extending this for 5 years and the effect it would have upon its review.

You are not contending here this morning if we extend it for 5 years Congress could not review it in the next session, 1959, if they wanted to?

Mr. STRACKBEIN. Theoretically, the Congress could. Actually it would not.

Senator CARLSON. Well now, just a minute. After all, one session of Congress cannot bind another. You would not want to say that.

Mr. STRACKBEIN. The State Department has bound not only one session of Congress but all future Congresses in some of the international commitments they have made in this field. I mean bound in fact.

Senator CARLSON. I am just not going to let the record stand that one session of Congress can bind another session because, after all, the people who elect new representatives coming in at the next session can completely take this up——

Mr. STRACKBEIN. Senator, I will say this: I would say go ahead and make a 5-year extension if you can guarantee that next year, or the year after, if there is sufficient demand, we can get a hearing before the House Ways and Means Committee on a general tariff bill.

The very purpose of the 5-year extension is to prevent just that.

Senator KERR. It would require two-thirds of the Congress to change it, would it not?

Mr. STRACKBEIN. Well——

Senator KERR. If the President vetoed an action.

Mr. STRACKBEIN. We are talking now about bringing in another tariff bill.

Senator KERR. I understand. But if we did and the President vetoed it, it would take two-thirds of the Congress to do it.

Mr. STRACKBEIN. Yes, that is true. That is true.

Senator KERR. So we are bound to that extent, are we not?

Mr. STRACKBEIN. Beyond that, if the committee did hold hearings and refused to report the bill, you would have to get a discharge petition of 218 Members.

Senator KERR. But if it passed a bill and it was vetoed by the President, it would take two-thirds of the Congress to change this law.

Mr. STRACKBEIN. You are right.

Our protest is that unusual obstacles are placed in the path and in the channels of legislation, barriers that do not belong there, and the purpose of the 5-year extension is to assure other countries that there will be no tariff legislation in this country during that time.

And if we acted contrarily, it would be said, Mr. Chairman, that the United States is being unfaithful to its friends and allies in the rest of the world, and they would gravitate to the Communist camp.

The argument and the gambit is very clear. Let us not fool ourselves.

Senator CARLSON. Of course, Mr. Strackbein, that is a logical argument, and that may be the basis of a 5-year extension. But the fact remains that in January 1959, the Congress of the United States can repeal the Reciprocal Trade Agreements Act.

Now the Senator from Oklahoma says the President might veto it and it would take a two-thirds vote. That is true. But they can do it. Under the Constitution, which has been read here this morning, they certainly have control over it, so——

Mr. STRACKBEIN. Senator, I agree with you, and I say again theoretically, it is again theoretical, they cannot put you in jail——

Senator CARLSON. But factually——

Mr. STRACKBEIN. But you are in jail. The Congress is in fact in jail——

Senator CARLSON. That is all.

Mr. STRACKBEIN. On this subject.

Senator CARLSON. That is all, Mr. Chairman.

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

Mr. STRACKBEIN. Thank you, Mr. Chairman.

(The documents submitted by Mr. Strackbein follow:)

EXCERPTS FROM STATEMENT OF O. R. STRACKBEIN, CHAIRMAN, THE NATIONWIDE COMMITTEE ON IMPORT-EXPORT POLICY ON EXECUTIVE DOMINATION OVER TARIFF AND TRADE ADMINISTRATION

As more and more industries began to feel the effects of the tariff reductions executed by the President through the medium of trade agreements and as one after another industry tested the successive reassuring Presidential statements (since 1934) that no domestic industry was to be jeopardized, and pondered repeated State Department protestations that all duty reductions were made only after adequate hearings and careful examination of the facts, and found both the Presidential assurances and State Department protestations misleading, it soon became apparent that a qualitative change in our constitutional system, as it relates to the regulation of foreign commerce, had taken place.

As successive escape clause cases were processed through the Tariff Commission and it became increasingly clear that the President, dating from 1951, was rejecting a vast majority of the Tariff Commission cases, including unanimous decisions (tobacco pipes, silk scarves, lead and zinc, ferrocerium, groundfish fillets, velveteen fabrics), it became obvious that the State Department, as principal administrator of our foreign relations, had effectively superseded the Congress as the branch of the Government that regulated our foreign commerce and administered tariff adjustments.

This represented a transformation of power executed within Washington, D. C., without referendum, constitutional amendment, or recourse to any of the known and recognized democratic processes.

It became a wholly frustrating experience, with few exceptions, for industry and labor groups seeking relief from oppressive import competition, to make representations to their elected representatives, to exhaust their supposed legislative remedies, or to take their troubles to the executive departments that had to all intents and purposes replaced the Congress.

The elected representatives were powerless. They had in one way or another been dispossessed of their authority. This now lay elsewhere, diffused in var-

lous executive departments, offices, and agencies and therefore became as difficult to identify and piece together as the scattered and broken bones of a prehistoric missing link. Thus, there was substituted for the responsiveness of the legislator the elusiveness, the finely split but interlocking irresponsibilities and sublime helplessness of the bureaucrat who is caught in the mesh of a policy that he himself perhaps helped fashion and would not in any case change if he could.

It became clear that under the circumstances such executive officials had only one characteristic recourse and that was knowingly to offer fair words and sympathy to petitioning groups who sought their help; for the bureaucrat knew that he could not extricate himself from the policy mesh in which he found himself entangled even if in some improbable event he disagreed with it.

Therefore, unless the petitioning group had a problem the solution of which could be found to lie within the lines of the general policy to which the executive was committed, the bureaucrat was in fact helpless, unless indeed he aspired to a martyr's crown. Since there was no wish frontally to offend the people who appealed to him, lest slow political erosion set in, the bureaucrat made a show of sincere regret and offered a number of suggestions that he probably knew to be wholly sterile.

Depending upon the bureaucrat's resourcefulness on the one hand and the degree of patience and faith of the petitioners on the other, this cat and mouse game might be good for 2, 3 or 4 years.

The bureaucrat's supreme hope was that in the meantime the pressing group would have gone broke, become cynically disillusioned or that fate had been good to them and helped them out of their difficulty.

The upshot is that the concentration of what is a legislative responsibility in the hands of the executive is in fact delivering power to those who cannot exercise it equitably except by accident or coincidence and can use it only as an instrument in furtherance of an executive policy. Only when the petitioner's request fits into the policy can he hope for relief—unless he is sufficiently powerful to bargain against the life of the policy itself.

Repeated experiences with executive administration of the trade agreements program have deeply convinced the successively frustrated participants that under the escape clause or other instrumentalities, such as section 22 of the Agricultural Adjustment Act or the national security clause, an industry or branch of agriculture will not be extended relief from injurious import competition on the basis of the facts of the case and the criteria set forth in law but will be judged, either favorably or unfavorably, but generally unfavorably by factors that are nowhere set forth in any written law.

The assumption invoked in support of the executive administration of the trade agreements program must be that the people of the United States are not competent to regulate their foreign commerce through Congress.

The Executive duly began to make international relations the ultimate criterion of his disposal of Tariff Commission recommendations under the escape clause. This was the infinite opening through which every congressional enactment on tariffs and trade could be scuttled. It was also the opening through which congressional authority was sent down the drain.

That is why Executive domination over tariff administration is the uppermost issue today in the formulation of foreign trade policy by Congress.

We have now come to the real question. What is wrong with Executive domination of our foreign trade? Let us assume that the State Department would say what it has not yet been bold enough to say: "We admit the allegation. What of it?"

It is unfortunate indeed that so many of the questions that go to the heart of the controversy cannot be answered by reference to factual data. That very fact perhaps explains why the tariff issue has so long been a political issue in this country. Where mathematical or scientific certainty cannot be established differences of opinion will flourish and generally reflect diversity of interest. Policy determinations must be resolved on incomplete data and through judgments that in great part must stand on their own feet. Ultimate proof in support of the position of either side is lacking.

It is in this setting that Executive control takes away the interplay of forces that we look to in our system to assure a fair chance for all concerned. What the exponents of Executive control say in effect is that Congress in policy matters cannot be trusted to stay put precisely because it has its ears to the

ground. Yet it is for the very reason that Congress does listen to the voters that we can have a Government of the people, by the people, for the people.

In the ebb and flow of economic tides and the permutation of advantages that go with them, it will always come about that a program or line of action that may have looked good to the people of this country yesterday may today confront us with a strangely unwelcome aspect. If the particular program is based on legislation, the people can adapt themselves to the changed conditions, but only so long as the legislative channels are kept open.

It is therefore precisely because there is no final answer to the question of tariff and trade policy that it would be repugnant to the rules of the game and at the same time unwise to accept and insulate one particular policy against change by delivering it to executive control; and that is what has been happening and that is what is now under challenge in the tariff and trade controversy.

On further reflection it becomes clear that even the trade-agreement procedures (including public hearings) in the long run were in any event of little moment, and mere window dressing at best, because in the end the President could backstop any throws that seemed to him to be heading outside the policy limits.

The permissive feature of the law under which the President had discretion not to accept the Commission's recommendation (under the escape clause) was used as a door to walk away from any semblance of a tie to congressional power. The President has claimed the right to invoke considerations that do not appear in the law to support his rejection of Tariff Commission recommendations; and has done so repeatedly. This means that the criteria laid down in the law (escape clause) become inoperative once a recommendation leaves the portals of the Commission. Since the Tariff Commission itself is an agency created by Congress to carry out certain aspects of tariff administration, the authority of Congress also collapses once the Commission has finished its findings and recommendation.

Surely there are legitimate methods by which the regulation of our foreign commerce and the adjustment of our tariffs can be correlated with the executive conduct of our foreign affairs without violating the Constitution or doing violence to the substantial guaranties contained in that document.

Such correlation does not call for either congressional abdication or transfer of authority to the Executive under such broad terms that the Executive can contrive the elimination of Congress from its legitimate field of control. It does call for an advisory liaison between the Executive, i. e., the State Department, and the Congress; but the freedom of Congress to accept or reject any advice that might be tendered must be recognized as the ruling principle of the relationship.

Elimination of the Presidential veto is vital to the restoration of congressional power. To retain this veto would be to foredoom all other efforts to break the Executive domination. It is this power of final review that enables the State Department through the President to frustrate the responsiveness of Congress to the people. It is this final power that makes a mockery of all intermediate procedures, such as conscientious hearings and investigations. It is also this final power that enforces the executive policy as distinguished from the legislative and puts all interested parties, the industries, the workers, the farmers, the owners of mines, plants or mills into the palm of the Executive's hands and at the mercy of his predilections and those of his advisers.

THE NATIONWIDE COMMITTEE OF INDUSTRY, AGRICULTURE AND LABOR ON IMPORT-EXPORT POLICY,
Washington, D. C., March 7, 1958.

Re Mr. Dulles' statement on H. R. 10368.

Mr. WILBUR D. MILLS,
Chairman, House Committee on Ways and Means,
House Office Building, Washington, D. C.

DEAR MR. MILLS: On February 24, 1958, the Secretary of State, Mr. John Foster Dulles, appeared before your committee and presented a prepared statement for the record.

I would like to offer an analysis of, and comments on, some of the leading points set forth by Mr. Dulles and hope that this may be included in the record. Ordinarily I would make no request of this kind but I believe that because of the far-reaching implications of some of Mr. Dulles' observations and judgments and

their vital bearing on the merits of the legislation that is before your committee in the form of H. R. 10368, you and members of your committee no less than those who look to the hearings record for information and guidance will be interested in an analysis of his statement from the point of view of one who disagrees with his position.

The Secretary of State's paper is divided into seven parts and this reply will be addressed in sequence to these parts.

I

In part, I, Mr. Dulles, refers to what he calls the two main aspects of the President's proposal to extend and strengthen the Trade Agreements Act.

The second aspect was selected by Mr. Dulles himself for your attention. As set forth by him this aspect of the President's proposal is the part "*designed to help make the United States secure against external danger.*" [Italic supplied.]

The Secretary of State should be lauded for his frankness. It is clear from his statement that the Trade Agreements Act is to be wrenched from its original intent and converted into an instrumentality of the diplomacy of this country. That it has in fact been used in this manner for a number of years has been asserted numerous times by those who have questioned the unauthorized direction taken by the program, but never before has the State Department so clearly pleaded guilty to the charge.

The question thus presented by Mr. Dulles is really twofold. One is whether the danger to the United States on the political side is so great and imminent that it should be raised to an overriding discipline, superseding our Constitution and such considerations of the domestic economy as might be held to upset international diplomatic maneuvers and negotiations. The other is whether international trade as an instrumentality of diplomacy is in fact a suitable or useful or manageable tool that can be used successfully to further the security of this country against external danger.

The first part of the question is a most serious one. If we keep in mind that there was a time less than 200 years ago when the American colonists were willing to risk death and privation and did indeed experience both, for the sake of setting up a constitutional system of government on this continent, we must naturally wonder why today we should throw the principles of that Constitution overboard as a means of courting safety.

Presumably danger may be so great at times that we must temporarily forego the benefit of principles for the establishment of which others died; but when there may be a clear doubt about the nature of the danger and when there is in any case no compelling reason for believing that the action proposed to avert the danger would be more fruitful than other proposals, then surely there can be no justification for jumping to a totalitarian conclusion about what should be done.

It has become a habit in high places to shoot from the hip with superlatives, to say, for example, that a course of action not conforming to the official proposal, would be "totally disastrous." The meaning of words is thus vitiated and testimony that deals in such superlatives loses its weight. If it is necessary to invoke totalitarian principles in order to gain the acceptance of testimony it may be suspected that the testimony lacks the force to recommend itself.

The other part of the question, i. e., conceding the danger, whether the trade agreements program is a suitable instrumentality for warding it off, should also be closely examined. This phase of the question leads us into parts II, III, IV of Mr. Dulles' statement.

The Secretary's statement says that the trade agreements legislation of the United States has become "symbolic of economic cooperation as a substitute of economic warfare." Then, going back to the depression of 1929, the statement refers to the trade barriers that were erected as a means of reviving the economies of various countries and the decline in world trade that ensued. Since World War II "the trend has happily been in the other direction, at least so far as the free world is concerned" the statement continues.

This latter statement will come as news to many people who are under the impression that international trade became more closely hedged by quotas, exchange controls, embargoes and import licensing systems after World War II than ever before. The Secretary evidently paints with very broad strokes of the brush. Very recent years have indeed witnessed some relaxation; but the trade of most countries continues under close surveillance of their governments; and there is visible little or no hesitation to restore restrictions that have been taken off if this is regarded as necessary.

The United Kingdom still has the token import plan which greatly restricts imports of a long list of goods from this country. For this there may be good reasons. The point is that GATT or no GATT other countries shuttle between liberalization and restriction of trade very much to suit themselves.

Mr. Dulles points to the need of liberalizing trade more and more because of the "physical danger that we face."

Evidently 24 years of the trade agreements program did not prevent us from drifting into such physical danger. Why then should we try more of the same medicine? Evidently as a preventive it was not effective; and just as surely it has not acted as a cure. Whence the notion then that the record supports a further 5-year extension of the program?

"For the first time in history," the statement continues, "the United States is subject to major devastation from weapons launched from foreign soil."

Can Mr. Dulles really believe that the existence or continuation of the trade-agreements program bears any ascertainable relevance to the fact that Russia has risen to a position of challenging this country physically? If there is any relevancy, the more obvious conclusion, according to ordinary logic, would be that the program did nothing to prevent the unwelcome development, if it did not, indeed, enhance it.

He does, indeed, claim that "the danger is met, and our peace is preserved, by one fact and one fact alone—that is, that the free world is not disunited, but works together and provides dispersed power to retaliate against armed aggression."

In saying this, he makes two assumptions. One is that such unity as there is does not come from military considerations, but from the trade-agreements program. The other is that the trade-agreements program will be the magnet that will keep the free world together.

Both are very strained assumptions, and can be sustained at best, and then only dimsily, by exaggerating vastly the proposals of the so-called protectionists. Thus, Mr. Dulles says, "If other world nations think that the United States market will be increasingly closed to them, that will immeasurably help the Soviet Communist bloc to prosecute their plan of economic encirclement and ultimate strangulation of the United States." In other words, the free world will lose its unity and Russia will pounce on us.

There is no proposal before the Ways and Means Committee or before Congress that would come anywhere near closing our market to imports. There are, indeed, proposals that would keep imports from running wild, as they have in some sectors since the war, and with their low-wage advantages driving our own producers, with their vaunted higher productivity armor, like chaff before the wind. Principally, these are proposals to keep imports within bounds and to housebreak them competitively so that it will be possible to live with them.

Again, Mr. Dulles in part IV says that "some elements of the United States industry seek to improve their competitive position by implying that any competition from abroad, merely because it is 'foreign,' should, on that account, be debarred."

It would be very helpful if Mr. Dulles supported this bald assertion with substantiating citations. Without bothering to do so, he swings stoutly at this ugly strawman that he has thus set up and brings him down flat with this: "The United States cannot accept that viewpoint without endangering our whole Nation." This, in part V of his statement.

Naturally, we are moved to shout "Bravo!" The trade-agreements policy scores again, as it has scored so many times, against the villains made of straw.

But then Mr. Dulles softens. This is a pity, because it robs him of his victory. He says, "There is, of course, a wide range of cases where foreign competition should be restrained, and is restrained by protective action."

This admission brings him within the range of reality, but in the process he lost his lance.

His admission that there is a "wide range of cases where foreign competition should be restrained" ranges him alongside the proposals of the so-called protectionists. That is all that they have claimed. They do not propose a general increase in tariff rates nor the general imposition of import quotas. They seek redress against injury only when this can be proved to the satisfaction of the Tariff Commission in public hearings where all sides are heard, in individual cases, and they advocate quotas only where the tariff alone is unequal to the situation because of the operation of the most-favored-nation clause.

Why is Mr. Dulles not satisfied with this? He, as spokesman for the State Department and accepting the long-time position of that Department, does

not believe that the regulation of our foreign commerce can be left to the Congress, where it was placed by the Constitution.

And why does this attitude come so naturally to the State Department? Evidently, it is not so much a matter of principle as it is a matter of who exercises power. That it is not a point of principle is readily deduced from the Secretary's and the State Department's view of restraining imports so long as it is done by that Department in consort with the Department of Commerce or other executive agencies and not by Congress.

Thus, he cites with approbation the voluntary restriction of oil imports, "including those from Venezuela and Canada." These restrictions, such as they are, are in the form of quotas. Obviously, quotas are respectable if they are under the control of the Executive, but unspeakably wicked if they are imposed as a matter of law under procedures spelled out by Congress and controlled by Congress.

Again he points approvingly (p. VI) to the restrictions imposed by Japan on her exports of "textiles, flatware, and other goods sold to the United States." Once more, these voluntary, self-imposed restrictions find no echo in the well-stocked arsenal of ill will against quotas in the State Department.

Obviously, it is all right to impose trade barriers so long as it is done by the State Department or some other arm of the executive. Evidently, sin becomes saintly if it is committed in the right quarters.

In other words, what concerns the State Department is not the restriction of trade, as such, but who does it, even if the law and its orderly application must be set aside, and even if our system of government must be subverted in the process. Such a view is a natural product of the assumption that diplomacy must be the arbiter of our lives. All else must then be subordinated to the considerations of foreign relations, including the Congress.

VI AND VII

Here Mr. Dulles turns to all points of the compass, north, south, east, and west.

He cites Canada and her unfavorable balance of trade with us in 1957 and, by deploring such a condition, swallows the mercantilistic philosophy that his Department abhors so busily. In 1957, a year during which Canada made tremendous capital outlays for pipelines, iron-ore development, and other enterprises that drew heavily upon United States sources of supply, that country imported $3.0 billion from this country, but sold us only $2.0 billion. Already, toward the end of 1957, this unfavorable balance began to move toward a balance, as should have been expected as these developmental enterprises neared completion. Imports from this country dropped $100 million in the second half of the year. That the unfavorable balance was no great strain on Canada in the first instance was reflected in the sound exchange position of the Canadian dollar.

What Mr. Dulles did not mention is notable. He said nothing about the Canadian grievance against our liberal-trade-minded wheat producers and flour millers who hold tenaciously to a virtual embargo against the importation of Canadian wheat and wheat flour while ranging themselves stanchly on the side of the freer trade advocates in this country.

Also, Mr. Dulles failed to note that the duty on American goods going into Canada averages a good 2½ times our average duty on imports from Canada.

Southward, he points to Venezuela and points out that in 1957 we shipped $1 billion of exports to that country while we bought only $900 million. He observes that "if the Government of Venezuela considers that we intend to put up serious barriers to imports from Venezuela the consequences will not be in the interest of our national security." Yet he admits that we have a "Government-sponsored voluntary restriction which limits oil imports, including those from Venezuela and Canada." In other words, the restrictions are sanctified by the fact that they were sponsored, not merely by our Government, but by the executive branch thereof. Had they been put on by Congress or an agency of Congress under due process of law, the same restrictions would have to go to the foot of the line and stand as a monument to the crumbling of our national security.

Now, eastward, he points to the United Kingdom, a country that he correctly describes as living "by participation in world trade." In 1957, the United Kingdom bought $1.1 billion from us but we imported only $0.775 billion from there. This left a balance of over $300 million against England.

One of the principal troubles is that Britain competes in our market, principally, with finished products that not only we also manufacture but that are also manufactured and shipped to us by England's competitors, such as West Germany, France, Italy, the Netherlands, Belgium, and, not least, Japan. The most-favored-nation clause prevents our granting lower duties to British imports as could be done in many cases because of their relatively higher prices. Should we lower the rate on imports from the United Kingdom, the same lower rates would be applied unconditionally under the most-favored-nation clause to imports from all her competitors. This would only widen their price advantage in this market over imports from England, and would not help her.

So, the capping statement of Mr. Dulles is mere hollowness and rhetoric when he says: "If the United States were to adopt policies that would set in motion a series of worldwide trade restrictions and high-tariff policies, the effect upon the United Kingdom would be grievous."

Possibly. However, there is no proposal before Congress that suggests what Mr. Dulles professes to fear. Moreover Britain did her best in a world of high tariffs before World War I. Lower wage competition, in combination with the most-favored-nation clause (the principle of nondiscrimination), later undermined her position.

Turning westward, Mr. Dulles comes upon Japan. He points at her unfavorable trade balance with us. In 1957, she bought $1.25 billion from us, but we took only $0.6 billion, or half as much, from her.

Unquestionably, we have a responsibility here so long as we insist that Japan must not trade with Red China and North Korea.

However, recognition of the responsibility does not solve the problem. Of all the routes to take in our relations with Japan, GATT is probably the poorest. We should not have sponsored Japanese membership in GATT, but should have entered into a bilateral agreement with her. Fourteen of the other leading nations of GATT have, in any case, refused to exted most-favored-nation-clause treatment to her, although we have done so. Our support of Japanese entry into GATT was a case of a bankruptcy of ideas and of following what appeared to be the obvious and easiest channel.

We should have made a study of our trade with Japan and of the capacity of our industries to absorb competition from Japan in our market. We should then have devised import quotas which would have kept the imports within limits, but which would have set aside a reasonable share of the market to be supplied by Japan. This would have made it possible to live with the imports.

As it is, we are being driven, of necessity, to the use of import quotas on a global basis because imports from Japan not only confront our own industries with a problem in our market but, also, exporters from Europe and especially the United Kingdom.

In the end, Mr. Dulles again invokes danger as the impelling consideration in support of H. R. 10368.

What is his suggestion worth? The trade-agreement extension for another 5 years would, presumably, provide us the necessary shield.

Now, let us suppose that the Russian economic threat again which Mr. Dulles so properly warns us should materialize. The next question is how GATT, which is the offspring of our trade-agreements program but which, in turn, houses the program, is fitted for economic warfare. Let us remember that at the outset Mr. Dulles said that, since 1934, we had moved toward economic cooperation as a substitute for economic warfare. Now, apparently, we are to use the same instrumentality of international cooperation, i. e., GATT, for purposes of economic warfare.

Obviously what is meant here is the use of foreign trade by our Government for international political purposes—in a new direction, namely, to block Russia.

Implicit in this undertaking is an end to private international commerce; for nothing is less suited to economic warfare than private trade conducted for profit. What we are really witnessing here is the effort of the State Department in the guise of freer trade to gain complete dominion over the flow of commerce.

This effort continues to reflect the same philosophy that produced both the ill-starred ITO (International Trade Organization) signed in 1948 but rejected by Congress in 1950, and the still waiting OTC (Organization for Trade Cooperation) which is still in the eggshell on which Congress has been sitting for 8 years. The Russian economic and military threats are merely handy argu-

ments to be pressed into service in the attempt to denude Congress of its authority over foreign commerce.

Obviously, if it becomes necessary to meet the Russian trade challenge by extraordinary means we must quickly forget the most-favored-nation-clause in order to gain greater maneuverability. Also we must set aside earmarked products, raw materials and farm surpluses for shipment where they will do the most good, and not according to profit consideration nor through established distribution channels. Commercial considerations must be brushed aside.

Such a course would upset the normal trade channels to an incalculable degree and would undoubtedly interfere with our trade relations with GATT countries. Instead of being of help to us GATT would no doubt challenge our violations and throw into doubt the value of our economic efforts against Russia.

All that Mr. Dulles really accomplished in his statement was to press into the service of the State Department the latest international developments for help toward gaining the long standing objective of the Department, but which it has so far not quite succeeded in assuring—and that is, making of international relations a totalitarian discipline to which Congress and our Constitution must bow if any of us are to remain free or even alive and establishing the executive branch of the Government and the State Department in particular as the supreme arbiter.

Sincerely yours,

O. R. STRACKBEIN,
Chairman.

HOW A TRADE AGREEMENT IS MADE

Commentary by O. R. Strackbein, Chairman the Nation-Wide Committee on Import-Export Policy, April 30, 1958

The Department of State has issued a brochure under the title "How A Trade Agreement Is Made." It bears the date of February 1958 and has recently been distributed far and wide. This dissemination corresponds with the consideration by the Congress of the trade agreements extension bill of 1958.

The publication presents in detail the interdepartmental organization that initiates trade agreements, sets forth the several steps involved in preparing lists of items on which it is proposed to reduce the tariff on the one hand, and on which concessions are to be asked from other countries, on the other; traces the public hearings process, the setting up of negotiating teams to deal with foreign representatives, the actual process and considerations that guide the bargaining operations and the final promulgation of the results by the President.

The Department is to be congratulated on the thoroughness of its job.

However, in making this exposition the Department was probably unaware of the thorough manner in which it also confirmed the many bitter complaints lodged against this very system by numerous domestic producers who have experienced the results of the organizational features described in the brochure and the airtight procerures pursued in making a trade agreement.

Intentional or not, the system almost completely shuts out all influences other than those of the executive power, which is enthroned atop of numerous interlocking and same-thinking subsidiary committees, which in their turn are also drawn, with minor exceptions, from the swollen and teeming executive departments; State, Treasury, Defense, Interior, Agriculture, Commerce, and Labor.

As well try to penetrate the inner precincts of a medieval palace through the concentric rings of guards as to undertake to produce the least effect upon the deliberations of these executive representatives. Their precautions against influence from outside the executive branch would all be appropriate with respect to subjects that fall exclusively under the functions of the Executive; but are out of place with respect to a subject on which no settled policy can be forespoken.

It becomes obvious that such devices as hearings before the Committee for Reciprocity Information (which is made up almost completely of executive departmental personnel) in preparation for trade agreements are nothing more than hollow concessions made to outward appearances. The executive personnel of the Committee for Reciprocity Information (a hearings agency) is the same as that of the Interdepartmental Committee on Trade Agreements (an operating group). Not only is this odd but reflects once more the prevalent attitude that domestic producers whose vital interests are involved should be told and not asked. Theirs is not to reason on the hows and whys.

If the document on How a Trade Agreement Is Made is read against the constitutional enumeration of the powers of Congress, where the responsibility for the regulation of foreign commerce and tariff-making is placed unequivocally upon Congress, it becomes obvious that once the portals to the executive maze that leads to a trade agreement are entered Congress is soon lost to sight; and no one has yet been able to find or fight his way back. The dungeon keepers of the Middle Ages would find the atmosphere familiar; and the marauders of the Arabian Nights would recognize a kindred world.

To men of the open day and sunlight the system is and should be abhorrent.

The men who sit on these inner committees are as bound in thought and conclusion as the members of a Russian Soviet; and this is alien to the American system.

How can this be?

The fact arises from a basic error of administrative concept:

What has happened is that the administration of a law governing an ever-controversial issue (tariffs and trade) has been treated since 1934 as if it had been moved into a settled arena, to be guided henceforth by an inflexible and undebatable formula: in this case, progressive and relentless tariff reduction under executive rule with but a shadow of recourse by those who are injured.

The procedure established could only be based on the assumption that the electorate once having spoken had relinquished its interest in the tariff and trade subject and left it to the President (meaning in effect the State Department) to do with as he saw fit. Judging by the executive procedures established to govern the trade agreements program, the 73d Congress sitting in 1934 was apparently regarded as having spoken for all future Congresses as well. This is, of course, wholly out of keeping with the Constitution which contemplates changes in sentiment among the people and the expression of such changes through their elected representatives.

Procedures for making trade agreements under the legislation were characteristically set forth in an Executive order (No. 9832). This was in effect an act of waving goodbye to representative government in this particular field.

Why?

It is because executive personnel of the departments who became almost the exclusive administrators are appointed by the Executive, owe their tenure, the future of their careers, their advancement and all else that makes for loyalty, to the Executive. Their function is to carry out settled policy. Theirs is not a legislative or parliamentary field nor one in which the voice of the voters is registered.

Therefore, it is unrealistic to look to public hearings conducted by executive personnel and expect results significantly at odds with the ruling executive policy. Such personnel is not responsive to Congress; and the voice of Congress is lost in the intervening chasm.

It would be different if the administering bodies were creatures of Congress and responsible to Congress, as are some of the independent agencies. That is the distinction between the Tariff Commission, which is an agency set up by Congress to do the detailed and technical work of Congress, and the Interdepartmental Committee on Trade Agreements and its alter ego the Committee for Reciprocity Information, which are not creatures of the Congress but arms of the executive. The Tariff Commission under the present setup, is but an edentate body constantly frustrated by the President.

The nonresponsive effect produced by this system could still be overcome but for two practices that effectively lock the door to the reentry of congressional influence.

1. Tariff Commission recommendations under the escape clause are sent exclusively to the President to do with as he likes. The escape clause represents the principal recourse against injury from trade agreements available to domestic producers. In rejecting such recommendations the President has but to sign a letter directed to the chairmen respectively of the Senate Finance Committee and the House Committee on Ways and Means. From this there is is no appeal, and the President has since 1951, when the escape clause was first enacted, rejected about two recommendations for every one he has signed.

(These rejections appear to be completely at odds with the successive Presidential assurances that no domestic industry would be hurt by the trade agreements program. This reassuring face is the one the executive has turned to the public while in the meantime the trade agreements machinery has continued to grind out its results quite oblivious of these assurances.)

2. In negotiating the General Agreement on Tariffs and Trade the State Department agreed to far-reaching trade rules that go beyond mere tariff reductions. These trade rules, one example of which is renunciation of the use of import quotas (with some transitory exceptions), have the effect of interposing between Congress and its freedom to legislate certain international taboos that cannot be violated without breaking solemn international commitments.

The practical effect of the operation of the trade agreements system, including the organizational and procedural aspects of making agreements, has thus been to make a house of futility out of Congress so far as the regulation of foreign commerce is concerned.

At the same time and by the same process the electorate has perforce been effectively disfranchised in this field so far as its control over the Government is concerned as contemplated under the concept of popular sovereignty. The Constitution has been amended de facto in complete disregard of the prescribed procedures.

"How a Trade Agreement Is Made" might just as appropriately be titled "How the State Department Through the Trade Agreements Legislation Drove Congress From the Hill."

The obvious remedy lies in legislation that would restore congressional control, at the very minimum to the point of controlling the escape clause remedy. This could be accomplished by requiring that the Tariff Commission recommendations be sent to Congress for possible disapproval by joint resolution. In other words, the veto power over such recommendations should be shifted from the Executive to the Congress.

The need for an escape clause action arises from errors committed in tariff negotiations by the Executive under the system set up by the Executive for making trade agreements.

Since the original power in the regulation of foreign commerce resides in Congress and the President exercises only delegated power, the Congress rather than the President should be the judge of whether the delegated power has been properly carried out. This would be accomplished in substantial part by giving to Congress the final word on escape clause recommendations.

If the President has reasons beyond the question of injury to a domestic industry for wishing to block a Tariff Commission recommendation he could present his reasons to Congress; and if these were compelling Congress would no doubt give heed to his plea.

WASHINGTON, D. C.

The CHAIRMAN. The next witness is Dr. Lewis E. Lloyd, of the American Tariff League, Inc.

Come forward, Dr. Lloyd.

STATEMENT OF LEWIS E. LLOYD, REGIONAL VICE PRESIDENT, THE AMERICAN TARIFF LEAGUE, INC.

Mr. LLOYD. Mr. Chairman, I am Lewis E. Lloyd, economist and head of the business research for the Dow Chemical Co. However, I appear today in behalf of the American Tariff League, of which I am a vice president.

In behalf of the American Tariff League, I would like to suggest that H. R. 12591, which proposes to extend the Trade Agreements Act for 5 years, can be improved by this committee by addition of a few simple amendments which would bring this bill more clearly into line with current conditions.

First, however, may I preface my suggestions with a comment about the objectives involved. Contrary to statements by some of the proponents, those of us who see dangers in a 5-year extension of the Trade Agreements Act are not opposed to trade. Speaking for myself, as well as for the league, I want to assure you that we recognize the importance of foreign trade to the economy of the United States.

The issue is not whether we should have foreign trade, but rather the conditions under which that trade should be carried on in order to yield the best overall results for the American people—balancing the needs and interests of all sectors of our economy.

H. R. 12591 has many features with which we can agree. It continues to recognize that the administration of the trade agreements program must be kept in balance. It recognizes that while we may reduce rates in the furtherance of foreign policy objectives, we must also carefully conserve the preventive and remedial safeguards within the law designed to prevent injury to domestic producers and to furnish redress if injury does occur.

The House bill confirms and strengthens this balanced approach by improving the peril point, escape clause, and national security provisions of the current law. It also establishes for the first time the principle that Congress should have a share in the final determination of any rate or quota modification growing out of escape clause action.

The changes proposed by the House bill indicate a recognition of the need for improvement in the trade agreements program. During the past 25 years of its administration there have developed many imperfections, even inequities, in the present tariff law, and especially in the chaotic tariff schedules that have resulted.

The bill now before this committee needs further refinement, however, before it can give effective improvement. The league, after painstaking and long research, has adopted and published recommendations for a thorough overhaul of our tariff system and schedules. We hope that Congress at an early date will give serious consideration to our proposals. In the meantime, however, the present bill, suitably amended, could fill the need for a continuing program.

When we examine H. R. 12591, we note that it provides for an unprecedented 5-year extension of the President's authority to enter into trade agreements by Executive action, 5 years which may well become 10 years. This results from language which permits reductions negotiated during the 5-year period to be put into effect in 5 annual steps extending beyond that period.

Thus, a law enacted by the present Congress would be administered throughout 2 future Presidential terms and 5 new Congresses. We doubt the wisdom of committing the country's trade policies that far in advance.

The main argument offered by the administration in support of this unprecedented 5-year extension is that it is necessary to cope with the European Economic Community when that organization determines what its external tariff rates will be in 1962 and thereafter.

This argument is valid only if one assumes that the Common Market will keep to its announced time schedule; that unless effective pressure is exerted by the United States the Common Market will act in a manner adverse to our interests; and that the provisions of the General Agreement on Tariffs and Trade which are supposed to control the formation of customs unions and free-trade areas of its members are inadequate.

When we examine the first of these assumptions—namely, the timetable for the Common Market—we begin to have doubts. Already

one important member country, France, is undergoing political upheaval which could disrupt the time table and even raises some doubts as to whether the Common Market will become a working reality.

There are, of course, many other stresses in Europe which can retard formation of the Common Market or even change its direction. In the light of these uncertainties, and at a time when the international scene changes so fast, we doubt the wisdom of attempting to establish a program which reaches so far into the future. We might better extend the Trade Agreements Act for 2 years, after which a new Congress could evaluate the problems facing us at that time.

The second assumption which we mentioned implies an intent on our part to attempt to influence the decisions of the European Economic Community. If the proposed Common Market succeeds, it will greatly advance European economic integration. It will strengthen the member nations and make them more important and effective allies in the family of free nations. It will improve European economic efficiency and assist in raising European standards of living.

All this is in our own best interests. We should be offering encouragement and helpful suggestions, and should not be engaged in devising ways to force the European Common Market to act against its own best judgments. If its interests require a given common tariff, would we be wise in trying to undermine it? Have we forsaken our belief in the principle of national self-determinism?

We are told that another reason for the 5-year extension is to meet the trade offensive of Soviet Russia. It is interesting to note that troubles which have been fomented by Communist tactics around the world came into being during the life of the trade agreements program.

We do not wish to infer that these troubles have been caused by the trade agreements program or in fact that it has contributed to them; but it is obvious that it did not prevent them. If it could not prevent these problems, how can it be the cure for them?

The Russian economic offensive will pose severe problems. We shall need to give close attention to them. The program proposed by the House bill, which could commit us for as much as 10 years, will not give us the flexibility to reexamine the changing scene and adjust to new conditions as they arise.

We should remain free to review and revise our program in the light of the changing world picture and adjust to new economic situations at home as well as abroad. A 2-year extension of the Trade Agreements Act will better fit present needs than the proposed unprecedented 5-year extension.

There is an additional reason for a short extension. Congress, in 1956, directed the Tariff Commission to revise, coordinate and simplify the tariff schedules. The Commission is nearing the end of this herculean task and should be ready to offer its recommendations for congressional consideration next year.

Since Congress set the task, it will want to consider most seriously the resulting recommendations, free from any hampering commitments. A long-term extension of the Trade Agreements Act now would prejudice such an objective approach.

H. R. 12591 authorizes the President to cut tariffs by 25 percent, even more in certain cases. The 1955 extension permitted a lesser re-

duction, only 15 percent; and yet something less than one-quarter of the potential tariff-cutting authority has been utilized up to now.

The bill which we are considering asks for new and more drastic tariff-cutting power. We can only conclude that it intends to cut rates that have already been cut many times before, including the period of the most recent 3-year extension. In other words, we are now definitely in the sensitive area of tariff cutting.

Mr. Chairman, we can conceive of a tariff as having a "threshold value," a rate to which, under ordinary circumstances, a previously higher rate can be cut without much affecting imports. This is the theory of the peril point.

However, peril point settings cannot be mathematically exact; and, as the situation changes, a peril point set today may not be realistic tomorrow. This is especially important when we realize that, in recent years, manufacturers in the industrial free nations have been building modern new plants. Many of these are automated mass-production plants with low unit costs. A peril point established even 3 or 4 years ago may be completely unrealistic now, and one established now may soon be obsolete.

It seems to us, therefore, that Congress ought not to authorize a further 25 percent reduction, which will surely drive some of our tariffs below the "threshold value." Nor should Congress authorize the two-percentage-point-reduction feature proposed in the new bill which, on already low rates, permits reductions in excess of 25 percent.

We submit that a carryover of the unused authority should be adequate to meet the needs over the next 2 years. In any case, if new tariff-cutting authority is granted, it should be limited to 5 percent per year during the life of a 2-year extension.

The House bill wisely introduces the principle of having Congress share in the final determination of escape-clause cases. This sharing is an extension in this field of the checks and balances which we find so fundamental to our Federal system.

The administration of the escape clause involves consideration of two sets of facts: one has to do with the question of injury to domestic producers from imports; the other involves relations with other nations and the effect of proposed remedial action on foreign policy, including national defense.

The United States Tariff Commission is an able body, operating under congressional directives, standards, and criteria. It is competent to determine the economic effects of injury in escape-clause cases and of recommending the rate of duty or the import regulation needed to alleviate that injury.

The executive department, on the other hand, is in a position to assemble facts and make recommendations concerning the foreign policy aspects of proposed escape-clause action. Hence, it is wise and proper to assign to the executive department this aspect of the problem.

Any remedial action, be it a tariff increase or quota, is apt to arouse opposition by foreign producers. They may and often do enlist support of their own foreign office to oppose such action. This may create problems, large or small, for our own State Department. In the interest of easing their own jobs, our State Department would naturally oppose remedial action for every escape-clause case.

It seems imperative to us, therefore, that an arbiter or judge is needed and that Congress is the logical one. In escape clause cases where national defense or foreign policy would be seriously handicapped by proceeding with the Tariff Commission recommendations, the executive department would so report to Congress, giving full account of the reasons and alternative proposals, if any.

We have every confidence in the Congress of the United States and in the responsibility of its Members. We know that in those cases where the executive department would report to Congress evidence of overriding national defense or foreign policy considerations, the Congress would give due consideration to the merits of the case and select the course which would serve the best interests of the country.

However, if the case for national interest were more imagined than real, it seems unlikely that the President would bring the case to Congress. In this way, Congress can regain its proper voice in tariff and trade matters without doing violent to Executive responsibility in the field of foreign affairs. Moreover, the burden on Congress should not be large, because few cases would be brought to Congress for arbitration.

The provision of the House bill has a reverse twist. It would authorize the President to reject or modify the Tariff Commission's recommendation unless Congress, by a two-thirds vote of both Houses, directs otherwise. The likelihood of any industry group, particularly a small business, ever obtaining support of two-thirds of both Houses is so remote as to make the avenue of relief only a tantalizing mirage.

The other approach seems to us more practical; one in which the President would initiate congressional action if he wished to reject or modify the Tariff Commission's recommendation. The President, by expressing the views of the interested executive departments—State, Commerce, and others—the Defense agencies, and the foreign governments through their diplomatic channels in Washington, can marshal all the facts concerning any overriding national interest.

Therefore, we suggest that H. R. 12591 be amended to provide that a Tariff Commission recommendation in an escape clause case be made effective unless the President, within 60 days, obtains some form of congressional approval for rejection or modification.

Such approval could take any one of several forms: action by both Houses, action of either House, or action by the House Ways and Means Committee and the Senate Finance Committee, in a manner analogous to the principle in the Executive reorganization plans.

Since such action would be at the express request of the President, as well as in furtherance of an act already on the statute books, it would seem to satisfy our basic concept of balance between the legislative and executive functions.

The changes which we have suggested would, in our opinion, make H. R. 12591 a more realistic law in the framework of today's world, and we urge these refinements in the interest of an improved United States foreign trade policy.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, sir.

Are there any questions?

Senator KERR. No questions.

Senator WILLIAMS. Mr. Lloyd, I notice you recommend several changes in the bill. Did you submit to the Ways and Means Committee any suggested amendments?

Mr. LLOYD. We have not submitted any language, but we will be glad to offer some proposed changes, if you would like.

Senator WILLIAMS. Would you submit such to the committee for our study?

Mr. LLOYD. We surely will.

The CHAIRMAN. Thank you.

Senator BENNETT. Mr. Chairman, I would like to ask one question.

At the top of page 4, you say we should be offering encouragement and helpful suggestions, and should not be engaged in devising ways to force the European Common Market to act against its own best judgment.

In what respect does this bill force the European Common Market to act against its own best judgment?

Mr. LLOYD. Mr. Senator, if I understand the proponents, including the administration, they visualize the 5-year extension as a means of entering into negotiation with the European Common Market to try to force down or try to negotiate with them lower tariff schedules than they would propose and plan to put into effect on their external tariffs, on their external trade.

Senator BENNETT. Well, have we any power to use the European Common Market to do anything?

Mr. LLOYD. Well, this is a question of practice versus theory again. In theory, of course we have no power. But you know the economic weight of the United States in world affairs, and you know if we come in with suggestions they will be given consideration, perhaps well beyond the merit of them.

Senator BENNETT. You are interested in protecting the importer but not the exporter. Do you not think under certain circumstances the American exporters' needs or interests should be adequately represented by the United States?

Mr. LLOYD. Well, as I saw the list of testimony before this committee and the House Ways and Means Committee, I saw a number of exporting representatives giving testimony.

Moreover, if one examines the situation on commodity imports and exports right now, we find that from the first quarter of 1957 to the first quarter of 1958, exports dropped about a billion dollars, a 20-percent drop. Imports dropped only about $100 million, less than a 4-percent drop.

So it would seem that at present tariff schedules, we are not affecting exports by the import situation. There are other factors, apparently, such as the competitive situation in third countries where foreign operators are able to undersell us and take our export markets from us.

Senator BENNETT. You are talking about the past, and in this testimony you are talking about our power to force certain tariff schedules or the adoption of certain tariff policies on the part of the European Common Market, which has yet to be developed.

You feel, then, there should be no power in the United States, the State Department should have no power, to make recommendations

or enter into negotiations with the European countries as they develop their Common Market, for the protectin of our exporters?

Mr. LLOYD. If I understand it, our State Department and executive branch have always had the power to negotiate with foreign countries on subjects including trade and commerce, even prior to the Trade Agreements Act.

Senator BENNETT. Then what new power do they get to force the Common Market to act against its own best judgment?

Mr. LLOYD. Well, its specific power for tariff cutting, what at GATT negotiations or negotiations with the Common Market representatives would be an opportunity to try to get them to reduce their tariffs. Perhaps they would be inclined to do this against their own best judgment because of not wanting to offend us.

Senator BENNETT. Then do you not think your word "force" is a little strong?

Mr. LLOYD. This may be a bit strong, Senator.

Senator BENNETT. We have no power to force. We have merely the power to negotiate.

Mr. LLOYD. That is right.

Senator BENNETT. That is all, Mr. Chairman.

The CHAIRMAN. Thank you very much, Dr. Lloyd.

(Mr. Lloyd subsequently submitted the following for the record:)

THE AMERICAN TARIFF LEAGUE, INC.,
New York, N. Y., July 3, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: At the completion of my testimony on behalf of the American Tariff League, Inc., before your committee on Friday, June 27, the following colloquy occurred between Senator John J. Williams, of Delaware, and myself:

"Senator WILLIAMS. Mr. Lloyd, I notice you recommend several changes in the bill. Did you submit to the Ways and Means Committee any suggested amendments?

"Mr. LLOYD. We have not submitted any language, but we will be glad to offer some proposed changes, if you would like.

"Senator WILLIAMS. Would you submit such to the committee for our study?

"Mr. LLOYD. We surely will."

In response to the Senator's suggestion, therefore I would like to submit the attached legislative suggestions for the improvement of H. R. 12591. These would accomplish the following:

1. Reduce the term of the measure from 5 to 2 years.

2. Provide that the President shall proclaim the recommendations of the United States Tariff Commission, an agent of the Congress, unless both Houses of the Congress disapprove. The mechanics here suggested would be similar, procedurally, to those in the administration bill, but differ importantly in a substantive way.

3. Provide for possible tariff reductions of 5 percent a year, noncumulative, over the 2-year period.

The Tariff Commission's comprehensive studies are shortly to become available. Such a lengthy extension could, in effect, cause the Commission's monumental studies to be academic. H. R. 12591 could develop into a 10-year tariff-cutting bill, and we feel that this is entirely too long a term for a delegation of congressional authority.

Respectfully yours,

LEWIS E. LLOYD,
Regional Vice President.

AMENDMENT TO H. R. 12591

SEC. 6. Subsection (c) of section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C. 1364 (c)), is amended to read as follows:

"(c) (1) Within thirty days after receipt of the Tariff Commission's report on its investigation and finding, the President shall make such adjustments 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.

"In the event that the President does not within thirty days after the receipt of the Commission's report make such adjustments or modifications or impose such quotas, he shall not more than ten days after the end of such period submit a report to the Congress recommending that no adjustments or modifications be made or no such quotas be imposed or recommending that alternative means of preventing or remedying injury to the respective industry be adopted.

"Within sixty days after the receipt of such report from the President, unless the Congress by concurrent resolution shall affirmatively disapprove of the Commission's findings and recommendations, they shall become effective upon the expiration of the sixty-day period.

"Should the President make his report when the Congress is not in session or less than sixty days before the adjournment of Congress sine die, the findings and recommendations of the Commission shall become finally effective sixty days after the date on which the next session of the Congress begins, unless during such sixty-day period Congress by concurrent resolution affirmatively disapproves of the findings and recommendations of the Commission."

(1) Section 2 of H. R. 12591 is amended by striking out "June 30, 1963" and inserting in lieu thereof "June 30, 1960".

(2) Section 8 (a) (4) (A), (B), (C), and (D) of H. R. 12591 are amended to read as follows:

"(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 10 per centum of such rate.

"(ii) 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, and 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 clause (ii) 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 two annual stages, and no amount of decrease becoming initially effective at one time shall exceed 5 per centum of the rate of duty existing on July 1, 1958, or one-half 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 two annual stages, and no amount of decrease becoming initially effective at one time shall exceed one-half 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.

"(D) No part of any decrease in duty to which the alternative specified in (4) (A) (I) of this subsection applies shall become initially effective after the expiration of the two year period which begins on July 1, 1958."

(3) Section 3 (b) (2) is amended by striking out "(4) (A) (III)" in line 10 and inserting in lieu thereof "(4) (A) (II)".

The next witness is Mr. L. Griffin Eckle.

Senator KERR. Mr. Chairman, this gentleman coming from Oklahoma, may I have just a minute to say that he is one of the fine, public-spirited citizens of Oklahoma, a stanch champion of rugged Americanism. I happen to know he has given more than 200 talks before high schools, colleges, and civic clubs in Oklahoma, stressing the virtues of the American way of life as contrasted with the economic systems and shackles practiced in communistic countries.

I am very happy, Mr. Chairman, to present Mr. Eckle to this committee.

The CHAIRMAN. Mr. Eckle, we are very glad to have you, sir, and you may proceed.

STATEMENT OF L. GRIFFIN ECKLE, OWNER AND OPERATOR, LEE'S BICYCLE SHOP, TULSA, OKLA.

Mr. ECKLE. Mr. Chairman and members of the committee, I have prepared an oral statement, a brief oral statement, and I should like permission to file for the record a more lengthy one.

The CHAIRMAN. Without objection, your statement will be included in the record.

Mr. ECKLE. My name is L. Griffin Eckle. I own and operate Lee's Bicycle Shop, an institution of 50 years' standing, located at Tulsa, Okla.

It is quite possible that our experience in dealing with the many problems created by imported bicycles and accessories, as well as the several years devoted to research as related to reciprocal trading, foreign-made merchandise, and the effect it is seeming to have on our economy, may be of some assistance to this committee in evaluating H. R. 12591.

Being more familiar with the bicycle business than others, I ask your indulgence when I refer specifically to the bicycle problems.

Let me, at the outset, make it clear that while I am cognizant of the many benefits resulting from world trading, I cannot believe that the economic welfare of our American industries, as well as that of individuals, should be bargained away to other nations by our Government.

I am confident, though, that our present trade laws can be amended so as to improve and strengthen economic conditions.

Many American industries are being seriously threatened by the vast increase in imports, which is due primarily to low-tariff and foreign-labor rates. This impact is resulting in tremendous losses of employment, production, and sales.

Hundreds of items of foreign make are being offered in competition to American-made products at prices ridiculously lower than is possible for us to meet and still maintain our American standard of living.

According to the United States News of March 7, 1958, many industries are closing down with no intention of reopening. One manufacturer of chinaware said he cannot pay an average wage of $1.97 per

hour and compete with Japanese products made with 20-cent-per-hour labor.

We can by no means minimize the importance and seriousness of the current economic recession. Neither can we bypass the vital importance of a successful defense program. But I am unable to find written into our Constitution, or even between the lines, where our State Department or others should use our economic welfare via the reciprocal trade agreements program to persuade nations to refuse an invitation to communism or to purchase our peace and security.

A nation that holds peace with us only as long as we are making the payments does not merit our continuous help. And a nation on our side only because we are patronizing it is on our side only until we stop buying.

Accompanying the din of the present administration relative to reciprocal trade is a state of confusion as to its true meaning. When the President asked that the trade agreement act be extended another 5 years and that he be authorized to further lower the tariffs in accordance with his discretion, many agreed that we must have foreign commerce, but asked: "Why reciprocal trade agreements?"

While the distinction between reciprocal trading and foreign trading is apparent, many people consider them to be one and the same. We are told that curbing of import could create 4½ million unemployed.

The Department of Commerce has said we had 5½ million unemployed in March. Imports had not been curbed, but many American factories were either idle or working only part time, due to the tremendous increase in imports.

We are told by this Department that in 1957 more products were exported—$19 billion—that were imported—$13 billion. Dollarwise this is true, but it is doubtful that productwise this would prove true. In other words, products manufactured at 20 cents to 45 cents per hour labor rates multiply volume much more than those we produce at a national average of $1.97 per hour.

While I am deeply concerned over the effect imports are having upon economic conditions in general, I am more specifically concerned with the effect they are having upon my business, and upon the entire bicycle industry.

For almost a century, the bicycle shop has carried with pride its heavy responsibility to the children of America. Not only has it supplied reliable bicycles, but it has kept them in safe repair. At the same time, the bicycle shop has received remuneration in amounts that have enabled the owners to continue operation and to furnish employment for many years.

But during the past 6 years, the bicycle shop has witnessed more confusion and less remuneration. Confusion created by bicycles of foreign make, and less remuneration due to the imported bicycles, parts, and accessories sold by chain and department stores at prices often below dealer's cost of American-made products, which we sell.

Because of the many different brands of foreign-made products used on foreign-made bicycles, it is essential that we carry a much heavier inventory of parts than we normally would. This requires much more time in locating the proper parts, and in many cases we are forced to state that we cannot get the parts. But in all cases, we do make

every effort to take care of the repairs of such bicycles, although we oftentimes lose money in doing so.

Large chain systems deal directly with importers and ship in foreign accessories for use on American bicycles. They receive unbelievably low prices for this merchandise. Concurrently, the increase in purchases of foreign merchandise brings a decrease in American-made merchandise, thereby making the dealer cost for American products increase while the importer can quote an even lower price on foreign-made items.

Imported from Europe, bicycles similar in appearance to American-made bicycles are priced anywhere from $24.95 to $49.95, while we are compelled to ask from $49.95 to $93.45 for the very fine line of American-made bicycles we offer.

The Kress stores sell a German-made bicycle for $39.95 that gives the appearance of an American-made bicycle which sells for $78.95. It is difficult to convince customers that this wide difference in price can possibly be justified by a difference in quality or for any other reason. Consequently, the imports have caused us to lose many sales.

Now, a bicycle shop, such as ours, depends greatly upon the Christmas volume—and I might add there that many stores sell bicycles only at the Christmas season; the department stores do, and they use them as a leader. This cuts into our volume. Without this volume and without a normal margin of profit, we suffer. We also depend upon parts and accessory sales and revenues for installing such items. Yet our sales in this department have noticeably decreased during the past 3 or 4 years, as various stores began the sale of imported bicycles, pedals, saddles, tires, tubes, lights, chains, and other items. In some cases, these imports are offered at retail prices below dealers' cost of similar American-made items.

For example, I have with me a catalog showing dealers' cost of an American-made bicycle chain at $1.65, German-made chains at 85 cents, and Japanese-made chains at 67 cents. Foreign-made chains are being sold for as little as 98 cents in Tulsa. There appears to be no market for American-made chains at American prices.

Comparable differentials extend into the other parts and accessories sold in our business, and it is not at all uncommon for a customer to bring to us his bicycle for repair, handing us a bundle of parts and accessories made in Europe, and purchased elsewhere. Although we seem to retain the labor business, we are losing many of the parts and accessories sales.

Bicycle shops, as a rule, have taken trade-ins of old bicycles on new ones. When trade-ins were rebuilt, they were sold at a normal margin of profit. However, we can no longer even recover our trade-in and rebuild cost in meeting the competition of the low-priced imports as our cost of rebuilding a trade-in usually exceeds the retail price of such imports.

Many of the profit opportunities have been taken from the bicycle shop through the voluminous sale of imported merchandise. It now appears that we must sell this foreign-made merchandise instead of American products if we would survive. To assist the dealers in meeting this competition, many cycle distributors are fast stocking their warehouses with low-priced imported merchandise.

We have watched some of our manufacturers either close or curtail production because of the impact of imported bicycles and accessories.

We have seen the New Departure division of General Motors Corp. and the Eclipse Machine division of the Bendix Aviation Corp. suffer tremendous losses of business to the Komet Brake Co., of Germany, and the Perry Brake Co., of England. Such a switch of business is causing us to pay a high premium in order to get an American-made brake.

Spreading as an epidemic, this "Europeanitis" has now gained admission into some of our American bicycle factories. Faced with large hikes in steel and rubber prices, together with increases in labor rates, some American bicycle factories have been practically forced to assemble their American-made frame and fork construction with foreign-made spokes, pedals, saddles, front hubs, brakes, cranks, chains, lights, luggage carriers, tires, tubes and other items. It appears to be one way of survival. Another would be that of reducing American labor to European labor rates.

The theory "If you can't beat them, join them," may render temporary relief to some of us, but what is to become of the American factories which have, in the past, been supplying spokes, pedals, brakes, and what have you, but have had to stand by and watch these items displaced by imported products?

By extending such practices into other industries, we seriously injure our Nation's buying power. Without buying power, it matters not if the product is imported or what it costs.

Since 1935, the United States has consistently lowered tariff rates while other nations have increased restrictions on imports to protect their domestic industries. Under our tariffs we collect about 5 percent of the total value of goods imported, while England collects about 25 percent, thereby making it practically impossible for many American-made products to be sold in England.

The American-made bicycle is an example of this, and it is questionable that reciprocal trading, as presently administered, is really reciprocal. The Tariff Commission report (1949-56) shows 1,223,990 bicycles, or 41.3 percent of the American consumption, were imported in 1955, while only 7,000 were exported from this country. Complete figures for 1956 were not shown in the report. Naturally, this means increased production in Europe and decreased production in America.

The Commission's report further shows nearly one-half million bicycles as imported from West Germany both in 1955 and 1956. In a release by Reuters from Bonn, Germany, on December 24, 1957, the West German Ministry of Economics reported:

> Another very successful year with gross national production showing an increase * * * bring it to a level of more than 70 percent higher than the previous year.

It is good to increase production in other lands if our own industries are not seriously injured in doing so. There are now about 5½ million persons unemployed in our Nation. I believe our unemployed should have priority of our consideration and should be returned to work by increasing production in this country, and this would result from placing reasonable curbs on imports.

I reiterate that we must participate in foreign commerce, but that such commerce must be better controlled and administered. Effective legislation is greatly needed to provide for the imposition and administration of fair and reasonable import quotas.

In the bicycle industry no permissible increase in tariff rates could possibly adequately relieve the injuries being suffered as a result of imports.

The escape clause of 1951 was intended to provide relief to injured American industries, through its administration by the President, following the recommendations of the Tariff Commission. Since its enactment, the President has rejected the Commission's recommendations in a great majority of cases. Such rejections practically nullify the intention of Congress and contradict the many assurances stated by our several Chief Executives since 1934 that no worthy domestic industry would be jeopardized by the trade agreements program.

Since the escape clause was enacted, only 30 out of 87 cases have been sent to the White House, with recommendations for action. If all of these recommendations had been adopted the decrease in the $13 billion of imports would have been infinitesimal, but the jobs of thousands of American workmen would have been more secure and the affected domestic industries would have shared in the general prosperity of the Nation.

The impression so widely publicized that such action would wreck our whole foreign-trade program and leave us at the mercy of the Russians, or bar us from any trade with the countries in the European Common Market, is absurd. The whole argument seems to be based on fear.

If our foreign trade should be wiped out, it will not be due to any protection given to the small domestic industries.

The chairman of the Council for Foreign Economic Policy is quoted by Reader's Digest, September 1957:

> Our Government cannot establish a tariff or import quota to benefit one segment of the population without thereby imposing an equivalent burden upon some other segment.

The escape clause provides for measures of relief rather than benefit, and if such relief cannot be given under existing laws it would seem imperative to change the law in a way that it could be administered.

Our Constitution writers recognized the necessity of constant watch over our economy. They saw the wisdom of placing the authority to regulate foreign commerce in the hands of Congress. Subsequently this authority was given the President.

I have great faith in the wisdom of this committee. I believe that in exercising this wisdom in considering H. R. 12591 it will be recognized this bill does not afford adequate protection when providing for a congressional two-thirds majority override of a negative decision by the President, following a positive recommendation by the Tariff Commission, that relief be administered.

We have passed immigration laws to protect American workers from cheap labor competition from abroad. Then we destroy such protection by forcing American industries to transfer their production activities overseas in order to survive. This causes numerous American factories to close or curtail. Then American workers become unemployed.

We are all of us for a better world. But I believe the time has come when we should be including the welfare of the American people in our planning.

As a merchant engaged in a business too small to be recognized as small business by the Small Business Administration, I turn to this committee with confidence that you will recommend to the Senate that effective relief be administered when found to be justified.

By changing H. R. 12591 to read:

In case of disagreement between the executive branch and the recommendations of the Tariff Commission, the decision shall be made by Congress—

and by providing a 2-year extension rather than 5, I believe that industry and workers would become reassured and that such legislation would begin the end of the recession.

Mr. Chairman, that concludes my statement.

The CHAIRMAN. Thank you very much for an informative statement.

Are there any questions?

(No response.)

The CHAIRMAN. Thank you, sir.

(Mr. Eckle's supplemental statement follows:)

STATEMENT BY L. GRIFFIN ECKLE, OWNER AND OPERATOR OF LEE'S BICYCLE SHOP, TULSA, OKLA.

Few seek out a crisis. Yet we Americans are helping to pave the way for a very serious one. Twenty to forty-five cents per hour labor rates can be appealing to the buyer, but it become a different story when we are asked to work for this amount.

The vast increase in imports, due primarily to the low level of our tariff and European labor rates, is appalling with its tremendous impact on the American market. The volume of this impact is resulting in tremendous losses of employment, production, and sales. In fact, the survival of many American industries is being seriously threatened.

On the surface, one might get the impression that such a flood of European-made merchandise reaching our American markets, is accomplishing the intent of our Trade Agreements Act.

In the period 1930-35 we witnessed one of the most devastating depressions our Nation had ever experienced. It will be recalled that one of the first official actions of Cordell Hull, as Secretary of State, was to recommend we adopt a reciprocal trade agreements program. In 1934 Congress passed the Trade Agreements Act of 1934. Some of you may have been privileged to vote on this issue at that time. Others may have voted on it during subsequent years. At any rate, you will recall the reasoning that was advanced for its passage. You will remember that we were to sell items of surplus from this Nation to nations that had need of such items, and we would purchase their surplus items needed by us. Here was reciprocity. But together we have observed our Government arrange to ship our surplus products needed "over there" and buy for us products from them which were already adequate in quantity here. This has meant flooding our markets with overproduced items and has contributed largely to our current serious recession.

It never has been proposed by Congress that our American economy be seriously damaged at the expense of reciprocal trading. Actually, Congress provided the escape clause for the protection of industries proving such injury.

A number of American industries have sought such relief through the escape clause. According to the Wall Street Journal, "More and more businessmen are rapping at more and more Federal doors asking for protection against rising imports."

For several years, dealers have been placing orders for the low-priced foreign-made merchandise, through importers. Today, however, the trend is toward several jobbers banding together and sending one buyer into foreign lands. This method of purchasing is affording an even lower price than received from the importers.

At the same time, the result of the steel strike in America has definitely left its imprint on American prices. Whereas, European prices have come down, American merchandise has increased in price. It should be simple to ascertain

the effect that these price differentials are having on our American economy.

Recently we toured a number of retail units in our city. We found hundreds of different types of merchandise that had been imported. By its side was found American-made merchandise, similar in design and quality, but priced much higher than the foreign products. We listened to the salesman as he explained that it would be foolish to buy American-made pliers at $1.98 when the German pliers were just as good and were only 98 cents.

We visited two printing concerns with new presses imported from England. We were told that the price was much less than that of American manufacturers for similar equipment. Two accounting firms revealed the latest models of calculating machines, shipped in from Holland, at about two-thirds the cost of American-made equipment.

We visited a factory that formerly manufactured and assembled precision instruments. We found that most of this work is now being done in Switzerland, due to the tremendous savings in the price of labor and the low tariff rates. In general, we found merchandise manufactured in European countries, Japan, Australia, New Zealand, and elsewhere in the world, was affording unbeatable price advantages and American-made merchandise was, for the large part, going begging for a market.

It then becomes evident that the low labor rates, coupled with low tariffs on imports, is appealing to American buyers from the viewpoint of effecting savings. If such appeal gains too much momentum and preference goes consistently to foreign-made products, then American factories must do 1 of 2 things. Either curtail production and possibly close the factories, or attempt to reduce labor to rates comparable with those of their foreign competitors.

One might think he never would work for such rates but if enough factories should curtail production, unemployment would continue to pyramid and the price of labor would be thrown into an open market that could force us to yield. At any rate, it stands to reason that under those circumstances, our labor rates would be forced to the level of our foreign competitors.

In 1955 John R. Gibson, staff reporter for the Wall Street Journal, said "In the midst of the country's greatest boom, a growing number of companies are fretting over losing sales to stiff competition from abroad. With any downturn in the economy, the din would surely mount." Mr. Gibson refers to our 1955 so-called boom as a prosperity paradox. Can we deny the results of the 1957–58 downturn?

During the period 1935 to 1951, the United States has reduced its tariffs by 75 percent, collecting only 5.1 percent of the total value of goods imported into this country. England, in comparison, collects 25.0 percent; France, 10.0 percent; and Italy 8.4 percent. Such practices make it practically impossible for some American manufacturers to sell their products in Europe. It makes us ask, "What is reciprocal about reciprocal trade?"

In spite of all we know, the wild spending for the low-priced foreign-made merchandise is increasing rapidly. We are all helping to convince American industry that we do not wish to continue with the present high labor rates that are being paid today. Through our purchases of this low-priced foreign merchandise, we are begging for our rate of pay to be dropped to 20 to 45 cents per hour. We are struggling against ourselves as though we were digging a hole with one hand and simultaneously refilling it with the other.

It always has been considered sound practice to keep tariff rates on imports at such level that foreign-produced goods are forced to compete at prices not damaging to the American economy. Certainly, we all recognize that our economic program must include reciprocal trade agreements. The world must have our assistance in its recovery from two vicious wars. This aid must partially flow through our purchases of foreign-made products but at prices comparable to those of American manufacturers. But there must be a way of providing a quick stop at the right time. Instead of waiting until an industry has its back to the wall before it can appeal to the Tariff Commission, a closer and wiser control of tariff rates and quotas should be established. And when the Tariff Commission determines relief is needed, it should be administered. The President has seen fit to abide by only a very few of the relief recommendations of the Commission. Yet he asks that we grant him further reducing powers and states that we have "the escape clause" as our protection. We must now ask the question "what protection?" We derive the idea that the tremendous expense of maintaining the Tariff Commission and conducting such hearings is a waste of the taxpayers' money if their recommendations are to be constantly

overruled by the recommendations of the State Department, which frankly admits that its business is the "foreign relations of the United States."

H. R. 12591, which you are considering, does not provide adequate protection. Congressional majority of two-thirds is practically an impossibility when it comes to overriding a decision of the President. If this were changed to a "simple majority," American industries would regain confidence, expand instead of curtail, place Americans back on the job, and soon end the recession.

It is further believed that because we cannot foresee the needs 5 years from now, we should reduce the extension to 2 years, by which time we will have been able to comprehend more fully the effect the trade program is having on our international relationships. It will also enable us to have a quicker and better concept of the effect such a program is having on our American economy. We need a program that expresses proper balance; one that relieves the injured industries as well as one that helps the exporters of the Nation.

Somewhere down the line we have been taught that small business concerns have built our Nation. Bicycle shops all over the country are either stocking foreign bicycles and parts in order to survive the competition of chainstores handling such foreign-made products or their business is suffering for lack of sales due to the unbeatable prices afforded by the imported products sold by their competitors.

We are constantly reminded that we can also get on the foreign bandwagon and be all right. But our business has been built by American workers and we have a definite obligation to buy and sell American-made products in order to keep those American workers employed. We have also steered away from the foreign products because of the difficulty sometimes in replacing the parts. But the true reason many of us have stayed American in our lines is because we do not believe it right to promote incentive to invest in and build industry and then have the Government provide ways and means to destroy not only the industries, but also their incentive. The crisis has now reached far beyond the bicycle industry.

It is recognized that there are two sides to this question which must be solved by the Congress. Both sides have good, sound reasoning. It all boils down to whether one is being helped or injured by reciprocal trading. I live in the vicinity of lead and zinc smelters, as well as oilfields, and find the people in the area violently opposed to imports via reciprocal trade. On the other hand, those residing in areas producing items for export are most natutally advocating increase of foreign trade. So the fact remains that Congress passed "the escape clause" with a purpose in mind, that being the provision of protection to those industries needing relief and providing to the Tariff Commission that they are suffering from damaging effects of imports.

Ray Tucker, noted columnist, wrote recently from Sydney, Australia:

"Twenty-five years of American tariff generosity to foreign nations have not terminated bitter trade wars or contributed appreciably to domestic industry or labor. No other realistic conclusion can be drawn as a result of a 28,000-mile around-the-world trip and a study of the fierce commercial rivalries among nations and international exporters. A most serious threat to American commerce, ironically, is the flood of cheap German and Japanese goods on the world markets, ranging from machinery to textiles and costume jewelry."

Mr. Tucker continues:

"In order to end-run tariff walls, which have not been leveled in response to Roosevelt-Truman-Eisenhower concessions, American corporations have had to resort to two maneuvers. But in each instance, their strategy amounts to a sideswipe at American labor and capital. The most popular method is to buy control of a local industry that can be regeared to produce their products, such as refrigerators, electric appliances, etc." * * * (They are then manufactured in Japan or elsewhere with much cheaper labor, as well as other costs.)

"The other method is to issue licenses to native concerns for manufacture of imitations of the American variety. * * * Unfortunately, economic changes seem to nullify the supposed advantages of this kind of reciprocity."

Large increases in production usually bring lower costs per unit. Similarly large decreases in production are often accompanied by higher costs per unit. Hence, as we sharply increase our imports of any product, we are reducing production in this country and increasing our production costs per unit. On the other hand, we are increasing production in foreign lands, thereby reducing unit cost prices of imports. Can there be any doubt as to why our factories are curb-

ing production? Can there be any doubt as to the proper remedy for this miscarriage of fairness?

I cite the bicycle chain as an example of an American industry being destroyed by imports. A bicycle chain manufactured in America is priced to the dealer at $1.65 but a Japanese-made chain may be had for 67 cents. There is no longer a market for the American-made chain because of price. But more industries than the one manufacturing the chain are affected. The box in which it is packed was made in Japan from paper milled in Japan. The printing on the box was done in Japan and the steel from which the chain is made came from Japan. At least 5 American industries are being deprived of work by our expressed preference of the cheap Japanese bicycle chain.

When Government revenue is reduced as a result of loss of taxes due to unemployment, and Government expenditures are greatly increased through the enactment of foreign aid and defense bills, it is apparent that those continuing employment will be required to carry the much heavier burden.

According to the Tulsa World:

"Recently, Sir David Eccles, president of the London Board of Trade, told some members of Parliament that the United States held the key to world prosperity and could prevent a recession by following liberal trade policies. But then when asked what Britain would do if recession appeared imminent, Sir David replied, 'We will have no choice but to restrict our dollar imports'. What this means, simply, is that Uncle Samuel is supposed to help the rest of the world avoid recession—ignoring his own, of course—by relaxing trade barriers. But if recession appears in Britain or Europe, it will be necessary to raise trade barriers over there. How does that add up? * * * Liberal trade policies are indeed a spur to better economic relations the world over. But must they be applied at the expense of the United States economy? * * *"

Gov. Raymond Gary of Oklahoma recently stated that: "The Nation is jeopardizing its domestic economy in an effort to support a foreign-aid program for underprivileged countries. * * * The time has come for a reappraisal in the foreign-relations program of the United States."

According to the Christian Science Monitor: "The administration emphasized in the President's foreign-aid message of February 10 that the proposed program is not a give-away program but is intended to help buy security for the United States in its own self-interest." Past experience has proven in many cases that security that is bought is only security as long as the payments are made promptly. When the payments cease, security ceases. We must fully realize that we cannot buy either security or peace. And a nation with factories closed, cannot hope to keep up the payments necessary to provide even temporary peace and security. An editorial of the Tulsa Tribune recently stated:

"Without previous training or experience, without help from any foreign government, without technical experts maintained by foreign taxpayers, without any Federal financial assistance or subsidies, we converted the wilderness of time into the most productive nation in history. * * * We don't have to support all the peoples on earth. It is time we stopped trying and began to rebuild the America our forefathers bequeathed us. What kind of an America do we bequeath our youth today?"

Gov. Price Daniel of Texas recently stated: "It is time that foreign importers are confronted with the true facts concerning the damage they are doing Texas and its economy."

It is respectfully submitted that we should not refuse protection to American industries. Our already overburdened President and our Secretary of State are truly keeping close watch on economic progress in foreign nations. But what kind of watch over economic conditions in these 48 States is being provided? It would seem that 5½ million unemployed persons in America together with the hostile reception we receive when visiting foreign countries, disprove the claimed benefits reciprocal trade is having upon our economy and upon peace and security over the world.

It is believed that the Tariff Commission should continue to determine if any industry is being seriously injured by imports and should then make its recommendations. In the event the President should refuse to invoke the recommended relief, the Congress should be enabled to grant such relief, over the President's decision. This type of law would be more in keeping with our form of government. Certainly it would be more adequate than H. R. 12591. It is believed that such a provision would serve as a stimulus to American industry and the needed confidence would be restored, thereby aiding in the recovery

from the economic recession. But without it, we destroy the incentive of American industry.

Our Constitution writers saw the wisdom of placing final decisions in matters of finance and foreign commerce in the hands of the Congress. Under the Trade Agreements Act this responsibility is given to the President.

We are truly tearing down the protection to American workers provided by our immigration laws, when we necessitate our American industries moving to other countries in order to enjoy the benefits afforded by low, low tariff rates and cheap labor.

I call upon you to strengthen our trade agreements and to see that our own economy is not destroyed in order to help the economy of other nations.

It does not seem too much to ask: relief for those industries seriously injured; relief as provided by law.

At this point, I should like to introduce for the record, a copy of a talk I gave before the Republican Minute Men's organization at Tulsa, Okla.

As a merchant engaged in a business too small to be recognized by the Small Business Administration, I turn with hope to your committee and ask that the contents of this statement be carefully weighed.

I have faith in your wisdom and believe you will give this statement your earnest consideration when you make your recommendations to the Senate.

SPEECH BEFORE THE REPUBLICAN MINUTEMEN OF TULSA, OKLA.

The vast increase in the influx of cheap imported merchandise is fast becoming one of the economic problems of the day. Many industries have for several years been begging the Government for relief where injury has been proven. Others contend that curbing imports would bring on the Nation's worst depression. However, many point a finger at the statement made recently before the British Parliament by Sir David Eccles, president of the London Board of Trade. Sir David said that the cure for America's recession lies in lowering trade barriers. But when asked what England would do in the event that the recession reached it, Sir David replied that there could be no alternative, but to curb imports. But we must recognize too that there are those who believe we will have our worst depression unless we curb imports.

Many factories are closing down because of their inability to pay an average wage rate of $1.07 and still compete with Japanese industries paying 20 cents per hour and European factories paying an average rate of 45 cents per hour. The Department of Commerce contends that only a few hundred thousand employees are being affected. The Nationwide Committee on Import-Export Policy takes issue with such figures. I only wish that time, your interest, and your patience would permit us to thoroughly explore these claims.

We can by no means minimize the seriousness of our present economic slump. But we are repeatedly told by the administration and the press that the hottest battle—the most vital issue to come before the Congress in 1958—will be the President's proposal for a 5-year extension of the reciprocal trade agreements program with broadened powers granted him. But in spite of its tremendous importance, more confusion exists as to a distinction between foreign commerce and reciprocal trade than in most any other terminology. If a street survey were to be conducted and the question asked "Should the reciprocal trade agreements program be extended?" the answer in nearly every instance would likely be, "We must have foreign trade." But, as you know, there is a clear distinction.

In order to gain a little better understanding of this difference, let's turn back to 1934, when Franklin D. Roosevelt was President and when we were experiencing one of the worst economic crises the Nation had ever known.

In an effort to speed up economic recovery, the Congress in 1934 lowered trade barriers by shifting the responsibility of regulating foreign commerce and regulating tariff rates from the Congress, as provided by the Constitution, to the President by passing the Reciprocal Trade Act in 1934. The act delegated to him the power to conclude agreements with other nations without specific congressional approval. It limited his power to reduce tariffs to 50 percent of existing duties as of January 1, 1934. This power was granted for a period of 3 years. A total of 10 extensions have been granted for periods ranging from 1 to 3 years. Further authority was given the President in 1945, to lower rates by 50 percent of the existing duties as of January 1, 1945. This brought about a possible reduction in tariff rates, of 75 percent. In 1951, realizing that many industries were becoming seriously injured by imports, Congress passed an

amendment to the Reciprocal Trade Agreements Act, which it called the escape clause.

Now, the escape clause, in brief, provides that any industry believing itself to be seriously injured by imports be given the opportunity to prove such injury to the Tariff Commission. In the event such injury is proven, the Tariff Commission may recommend to the President that he either raise the tariff or impose a quota upon such imported articles as those in question. But although the President is authorized, he is not required to take action.

Comes now the President with a request that the reciprocal trade agreements program, which expires June 30, 1958, be extended another 5 years with power broadened to lower tariff rates another 50 percent of existing duties at January 1, 1958. Such reductions would bring about possible accumulated reductions of tariff rates by 87½ percent.

Naturally, the President's program is strongly supported by those depending upon industries exporting from this Nation. On the other hand, the program is encountering strong opposition from those depending upon industries being curtailed and in many cases closed down because of the influx of competing cheap imports. It almost ceases to become a question of what is right and what is wrong. It boils down to what can be done to help those who need help and refrain from hurting the rest. There can be no doubt but that more Americans are employed as a result of our exports than employed in factories affected by imports. But we cannot lose sight of the fact that large sums of capital have been invested with confidence, only to have such confidence shattered by public statements made by those advocating the President's program "To close down the factories and try something else if you can't produce products as cheaply as those imported." And statements, "To lay off all trained employees and let them learn another trade." What does this do to the incentive which we have always tried to provide?

On the other hand, the administration tells us that "Failure to renew and strengthen this act would endanger our Republic and each and every person in it. That it is essential to enable us to meet the latest form of economic challenge in the free world presented by communism." It is our belief that American foreign trade does not reach the heights of such importance to other nations and a nation that holds peace with us only so long as we are making the payments on time, does not merit any kind of continuous help from us. Furthermore, with American workers idle because of curtailed production, it would be difficult to keep up the payments for our peace and security.

The opposition to the President's program then states: "We cannot survive unless something is done to ease up the competition of the cheap imports." The President replies, "Support my program. You have the escape clause for your protection." But the opposition examined the record carefully, only to find that in almost every case where the Tariff Commission has recommended relief be given, the President has not exercised his authority. And so naturally, the question is asked, "What protection"? Why should industry support this program if no protection is provided, although promised? What line of reasoning can possibly be advanced to convince that such protection will be provided. Experience shows that it has not been given in the past.

The Saturday Evening Post recently quoted Clarence B. Randall, chairman of the Council for Foreign Economic Policy: "Our Government cannot impose a tariff or import quota to benefit one segment of the population through the escape clause, without thereby imposing an equivalent burden upon some other segment." Mr. Randall loses sight of the fact that the escape clause provides a means of relief and never was intended to benefit anyone. All in all, as a representative of the administration, he admits the inability to relieve American industries suffering from "Europeanitis."

Still we are asked to support this program because we have the escape clause for our protection. I have stressed this point very strongly and I hope not offensively. But we should be made to realize that if this law cannot be effected, it is no law, and should therefore be repealed. On the other hand, if not repealed, the law should function as intended by Congress.

Some of the press refer to the fact that the opposition wants to build bad trade barriers and kill reciprocal trading. The truth is that were it possible to press a button and automatically raise all tariffs or discontinue foreign trading, the bitterest opponents of the President's program would not touch the button. That isn't what they want, at all. What they want is to receive relief when they have proven injury. If it be true that those affected by cheap im-

ports are in great minority, it should not create too serious a problem to carry out the recommendations of the Tariff Commission. But because such relief has not been granted by the President in the past, legislation is now before Congress asking that the findings of the Tariff Commission be referred to the Congress instead of to the already overburdened President. Then if the Congress does not take adverse action to the Commission's recommendations, within 60 days, direct action would be taken to provide such relief.

The administration says such a plan would hamstring its foreign negotiations. Its opponents say it is the one way to regain the confidence of American industry "that relief can and will be administered when found to be justified." This would to a great extent satisfy the opposition to the President's program, with the possible exception of reducing the number of years to be extended.

And it's apparent that our reciprocal trading could continue with accompanying benefits.

Hence, this plan would provide relief for those in need of it and still not hurt the exporters of our Nation.

This plan would begin the end of the recession. Is it too much to ask?

The CHAIRMAN. The next witness is Mr. Patrick Healy of the National Milk Producers Federation.

Senator BENNETT. Mr. Chairman, off the record.

(Off the record.)

STATEMENT OF PATRICK B. HEALY, ASSISTANT SECRETARY, NATIONAL MILK PRODUCERS FEDERATION; ACCOMPANIED BY M. R. GARSTANG, GENERAL COUNSEL, NATIONAL MILK PRODUCERS FEDERATION

Mr. HEALY. Mr. Chairman, I would like to introduce Mr. M. R. Garstang, who is the general counsel of the National Milk Producers Federation and ask for your permission to have him participate with me in this testimony.

The CHAIRMAN. Thank you, sir.

Mr. HEALY. Secondly, with your permission, I would like to file my statement for the record and comment briefly on some of the pertinent points.

The CHAIRMAN. Without objection, the statement will be made a part of the record.

Mr. HEALY. Mr. Chairman, my name is Patrick B. Healy, and I am the assistant secretary of the National Milk Producers Federation with offices at 1731 I Street in Washington.

The National Milk Producers Federation is a national farm organization, the oldest and largest of the commodity organizations in the country. We have, as membership, some 800 dairy farmers cooperatives located in every State in the Union and they in turn have as members over 500,000 dairy farmers.

These dairy farmers establish the policies of the federation and they do so by meeting annually to review our current policies, and to establish new ones in line with current events.

Most recently, they have reviewed the federation's policies with reference to foreign trade, and, briefly, they have adopted these two statements of general policy:

First, that the federation is in favor of international trade and of expanding and developing such trade.

However, we believe that any international trade, and particularly that with reference to the dairy industry, which is to be fostered and which can grow, must be beneficial to both nations which engage in it.

The second statement of policy says, generally, that the authority for regulating foreign trade in dairy products must be strengthened and revised to a degree that will prevent such trade from bringing disaster into our domestic dairy industry.

Our members have adopted these policy statements because they feel that the existence of the dairy industry in this country depends upon efficient and effective control of imports of manufactured dairy products.

The dairy industry is the prime industry in agriculture.

It is the largest single segment of the American agricultural economy, and as such it reaches into virtually every section in this country and affects many farm families' operations.

Therefore, it is important to the entire agricultural economy, and to the Nation generally, to see that we do not become an agricultural deficit nation. The dairy industry, once destroyed or once impaired, cannot be rebuilt in one season or 1 year.

It takes a considerable length of time to develop an efficient herd of milk cows.

We have been disturbed for several years over trends we have noticed in the administration of the foreign trade policies established by Congress.

To give you a little background on why we are disturbed, the Department of Agriculture has made three surveys on the hourly income of dairy farmers.

In eastern Wisconsin, dairy farmers receive an average of 43 cents an hour for their labor.

In western Wisconsin, 52 cents an hour, and in the central northeast part of the country, 70 cents an hour (Agriculture Information Bulletin No. 176, 1957).

So, you see, we are not attempting to develop restrictions on imports which will provide continuance of a real good thing for dairy farmers. It is a matter of survival.

Dairy farmers in this country are in a serious cost-price squeeze, as is evidenced by the fact that with all their investment and knowledge they can only make from 43 to 70 cents an hour for their labor.

In order to net even these small returns, which the dairy farmers get out of operating their farms, butter must be priced at New York at 58¾ cents per pound.

Now we have noticed in some of the foreign trade circulars that Danish butter is being offered on the world market at 23.1 cents per pound (Foreign Crops and Markets, USDA, May 26, 1958, p. 34).

It costs about 4 cents a pound to get that butter to New York and the highest tariff that can be imposed on that butter is 14 cents a pound.

So butter can be landed here at slightly in excess of 41 cents a pound.

Now the support price for our butter in New York is 58¾ cents a pound, which leaves a profit which could accrue to importers of over 17.5 cents a pound for any butter which is allowed to come in here.

Senator KERR. How does that compare with the profit that farmer makes on the product that he sells?

Mr. HEALY. Well, about 1700 percent, I think, Senator.

Senator KERR. Greatly!

Mr. HEALY. Yes.

Now because of those facts, and they are facts, there is a great tendency to want to bring butter in here.

Importers can make a 60 percent profit on their investment in butter by landing it in New York.

Now we have chosen butter as an example, but the same problem exists with respect to other dairy products.

Therefore, any relaxation of the control over imports of dairy products could bring real disaster to our dairy industry.

We are now producing dairy products in slight surplus of our needs for our domestic economy. We realize that the dairy industry in this country is basically a domestic industry.

I know the Congress has been told many times in both Houses about how the General Agreement on Tariffs and Trade and the reciprocal trade agreements which are established foster the export of dairy products from this country, so we have looked into that pretty carefully, and there are practically no true commercial dairy exports from this country.

Exports of any size at all—there might be a little milk powder that goes to Mexico, there might be a little whole milk powder shipped to the Far East, Thailand, and so forth—but most of the substantial exports of dairy products are subsidized.

So our commercial market is truly domestic.

Now we produce a little surplus.

We produced last year somewhere between 4½ and 5 percent more milk than we could sell commercially in this country. We do not feel that we have a right to dump that surplus on foreign markets indiscriminately so as to destroy markets which other domestic producers have built for themselves.

However, we know there are more people in this world to drink milk than there is milk for them to drink.

And we, as dairy farmers, have legislation before this Congress which would allow us in effect to donate that milk to develop markets. Markets which we know we would lose to these people who can produce butter for 23 cents; but we could, in turn, develop more and more markets until we got down here to market X, where we could develop a true commercial market for our own excess production.

Now because this dairy production industry—and again I do not speak for the whole industry, I speak for the dairy farmers—is truly a domestic industry, we feel that this Congress should take note of that and should make a strong domestic agricultural economy a part of any foreign trade policy which we develop.

We do not want to have to work with a foreign trade policy which is not cognizant of the distress of our own people.

We want to have the people who negotiate our trade agreements recognize that there is a domestic dairy industry which is important to this country and which must be taken into account when they negotiate agreements.

Now, because of that, we have several suggestions which we would like to make relative to this bill H. R. 12591, which is before this committee.

First of all, we feel that any extension of this trade agreement authority should be limited to 1 year.

The reason for that is that those of us who have an interest in domestic industries must have frequent opportunities to come before the Congress and petition it to straighten out anything that may have been going wrong in the foreign trade agreements.

We do not think it is unreasonable to ask that the trade agreements power be reenacted each year, because if the trade agreements which had been negotiated during the past year could stand the scrutiny of Congress, certainly there would be no trouble in extending the power.

If they would not stand the scrutiny of Congress, certainly Congress would want to do something about it.

The second thing, and here again I am speaking only for the dairy farmers of this country, we have import controls for the protection of our domestic industry under the Agricultural Adjustment Act.

Section 22 of that act allows the President to issue proclamations limiting the imports of certain dairy products.

We believe that should be strengthened, because the machinery under which it operates is too cumbersome.

I would like, just for a minute, to tell you a story which is famous in the dairy industry known as the Exylone story. The President proclaimed a limitation on imports of butter, and of course the prime constituent of butter is butterfat.

Therefore, several people in New Zealand and in this country got together and shipped a small quantity, 408 pounds of butter oil, which is pure milk fat, into this country.

This pilot shipment was classified as a butter substitute not subject to the butter quota, so the way was open for it to be imported. Some 2½ million pounds came into this country before we could get the thing stopped.

We finally went through the procedure of going to the Secretary of Agriculture and asking him to go to the White House to ask the President to go to the Tariff Commission and request it to hold a hearing for the purpose of informing the President so he could issue a proclamation. It took about 6 months to get the imports controlled.

In the meantime, we had about 2½ million pounds of butter oil come into this country which meant, under this surplus condition that we are in now, that the Commodity Credit Corporation had to buy an additional and unnecessary 2½ million pounds of butterfat at about 75 cents a pound to take off the domestic market.

Senator MARTIN. How much butterfat do we use in this country?

Mr. HEALY. Well, let's see, we have—we sell about 110 billion pounds of milk and it is about 4 percent fat, it should be about 4½ billion pounds of fat in all forms, that is in milk and all dairy products.

The CHAIRMAN. Do you have figures on the importation of butter under these other dairy products?

Mr. HEALY. Yes, sir.

The CHAIRMAN. Would you produce them?

Mr. HEALY. I will put it in the record.

The CHAIRMAN. Do you have figures on the importation during the past year?

Mr. HEALY. We can supply those for the record; yes, sir.

Senator MARTIN. Supply those because they are important.

The CHAIRMAN. You do not have them available?

Mr. HEALY. No, sir; not with me, but I will supply them.

The CHAIRMAN. Thank you.

(The information is as follows:)

MEMORANDUM

United States butterfat production in 1957 was 4.8 billion pounds. Butterfat purchased and removed from the domestic market in 1957 was 230.5 million pounds. Butterfat imported during 1957 was 20 million pounds.

Mr. HEALY. To continue the oxylone story, the butter oil proclamation says that butter oil, which is a product meeting certain specifications, can no longer be imported in excess of 1,200,000 pounds per year. So these same people got together again and put 8 percent sugar in the butter oil and a little bit of vanilla and called it oxylone. They shipped in another 9 million pounds, and we went through the same procedure again of going to the Secretary of Agriculture and asking him to go to the President who in turn would go to the Tariff Commission. The Tariff Commission held a hearing, the result was reported to the President and a proclamation was issued controlling the oxylone imports.

So we have designed some legislation which we believe would strengthen the ability of the Government to act in haste, when it is necessary, and I would like to leave that with the committee for your consideration, because we think that it is vitally important to—

The CHAIRMAN. Are these suggested amendments to the bill?

Mr. HEALY. Suggested amendments to the bill, yes, sir.

These amendments do two things: They strengthen the import control authority which we now have. In affect, they would tell the Government that it is the desire of the Congress to make the domestic agricultural economy of this country a part of our foreign trade policy, which we think is vitally important.

Senator WILLIAMS. Is that a suggested modification of section 22?

Mr. HEALY. Yes, sir I am filing a copy of my suggested amendment with my prepared statement, which I understand will be printed following my oral remarks.

Senator BENNETT. Is there a problem of jurisdiction here?

Mr. HEALY. No, sir; I do not think so. Section 22 has previously been amended by this committee.

Senator BENNETT. Was section 22 as it was originally passed handled by this committee or by the Committee on Agriculture?

Mr. HEALY. The Committee on Agriculture.

Senator BENNETT. For the information of the committee, could you tell us what happened to that product that was imported from Australia? What final form did it take in this country?

Mr. HEALY. Ice cream.

You see 10 or 12 million pounds of fat may not seem important in view of the fact that we do produce and consume some 4 billion pounds. However, practically all of that fat hit the New England market. It came into New York and when you put 10 or 12 million pounds of fat into 1 market at 1 time, it introduces considerable chaos into that market.

And that is what happens to it. It is not spread around so everybody takes one-tenth of 1 ounce or whatever it would be.

One market has to absorb it and live with it until it is gone. Furthermore had controls not been imposed, the imports would have increased to tremendous volumes.

Senator KERR. If you already have a surplus, it just means that much more the Commodity Credit Corporation is going to have to buy.

Mr. HEALY. Now, what that meant was about $7 million additional expenditure to CCC. As you know, the Commodity Credit Corporation takes off the market all the butterfat which cannot be consumed here. Since they were taking some off anyway, there was a surplus, and any additional amount which comes into this country means they have to take that much more off the domestic market. I think it cost them about $7 million.

Senator KERR. And then they export that under a subsidized basis or a gift?

Mr. HEALY. Exactly.

Senator KERR. What happened was that that came in here and was bought and our Government then bought up a like amount and added to that which we were shipping to somewhere else and giving it away?

Mr. HEALY. The other thing was of course——

Senator MARTIN. While we are on that, what is the surplus in our own country?

Mr. HEALY. About 5 percent now, Senator.

Senator MARTIN. What does that mean in pounds?

I am trying to compare it with what this——

Mr. HEALY. Well, it means about 6 billion pounds of milk, which would mean about 230 million pounds of butterfat.

The CHAIRMAN. What is it in dollars?

Mr. HEALY. Well, 230 million pounds of butter, would be worth about a million——

Senator BENNETT. 170.

Mr. HEALY. $170 million to $190 million—something in that neighborhood.

The other thing that must be remembered about these butter imports—although I have shown you where they can be landed here at 17.6 cents a pound cheaper than we can sell our butter, the American consumers do not get that 17.6 cents. The importer makes it. He sells the imports for half a cent or so under the domestic market, so it would be no great boon to Americans to have butter imported at such a reduced price.

It is a boon to t American who is cagey enough to go through the loopholes which are in this section 22 and make his 17 or 18 cents a pound on it.

Senator BENNETT. When the President by proclamation closed the second loophole to which you referred, have they tried again?

Mr. HEALY. Yes, sir; the second loophole was closed by saying anything from which butterfat could be commercially extracted and which contained 45 percent or more of butterfat was excluded. Now we know these same people are going through the country trying to get orders for a 44 percent fat product, so we have got the whole thing to go through with once more.

The CHAIRMAN. Why is it that the Danes can produce butter for 23 cents and it costs us 60 cents?

As I notice wages here are 43 cents in Wisconsin, 70 cents in central and northeast——

Mr. HEALY. Yes, sir.

The CHAIRMAN. Why does it cost more than twice as much?

Senator KERR. They make that, I take it that they manufacture different products for different markets.

Some of them have a good cheese market.

The CHAIRMAN. I am speaking of the butter.

Mr. HEALY. Well, to a great degree most of the products which can hit this market are subsidized.

As a matter of fact, we reported to the House that some northern European butter is being subsidized to the extent of 21 cents per pound.

It is exported.

The CHAIRMAN. You said in your statement on page 4 the Danish butter is 23.1 cents per pound, and it costs, what did you say?

Mr. HEALY. Four cents to ship it.

The CHAIRMAN. Yes, sir.

Senator KERR. I did not understand the statement the way you do, Senator.

He says this is how much they make an hour on the basis of getting 60½ cents a pound for their butter and 35 cents for their cheese.

The CHAIRMAN. That is what they get, is it not?

Mr. HEALY. Yes, that is a fact. The Danish butter does sell in Denmark for 23 cents, that is correct.

The CHAIRMAN. What are these figures—your hourly returns from dairy farmers on page 3, 43 cents in eastern Wisconsin. Is that what they get when they dispose of butter at 60½ cents per pound in New York?

Mr. HEALY. Yes, sir; that is their hourly return for——

The CHAIRMAN. That is a very low wage.

How is it then that the Danes can produce it for less than one-half?

Mr. HEALY. I do not believe the Danes produce it for less than one-half, Senator. I think this export price of 23 cents is a subsidized export price.

The CHAIRMAN. I have been through Denmark and seen those great farms there and I was told that the wages there were about 50 to 60 cents an hour in our money. Is that correct?

Mr. HEALY. Yes, sir.

Senator KERR. Does their machinery cost a lot less than ours?

Mr. HEALY. No, sir, I don't believe so. I do know that Europeans have subsidized their butter exports to the extent of 21 cents, which of course makes up a lot of this difference.

Senator BENNETT. Since you are using the Danish exports do you know that the Danes have done it?

Mr. HEALY. No, sir; I don't have the information about the Danes but I will supply that for the record.

The CHAIRMAN. Try to supply an explanation as to why they can produce it at 23 cents, while it costs us here 60 cents, based on wages to the dairymen of 43 cents an hour, which is about the same or less than the wages in Denmark.

(The information is as follows:)

MEMORANDUM

The figures given above ranging from 43 to 70 cents per hour represent the hourly returns of dairy farm operators, that is, the profit converted into cents per hour for the labor of the dairy farm operator. This is the figure which

would have to be reduced if the New York price of butter should be reduced to meet import prices. Obviously the farmers cannot work for less, nor, in fact, can they continue long to work for the low returns they now receive.

The profit to the dairy farm owner or operator is only a part of the cost of butter. Hired farm labor costs more than the dairy farmer himself makes and labor costs in manufacture, packaging, transportation, and distribution all enter into the picture. Higher labor costs also enter into the cost of equipment and other supplies the farmer buys as well as the equipment used all the way down the line to transport, process, package, and distribute butter.

Living standards in this country are high, not only for farmers but for labor used in processing as well.

We do not want to see these living standards reduced to the average world levels, nor do we want to see American wage rates reduced to the average world levels. We would prefer to see world standards raised rather than to see ours lowered.

The following comments indicate that much European butter exports are subsidized. We do not know the exact extent of Danish subsidies.

"On February 18, the wholesale price of Danish butter was reduced from 30.1 to 29.6 cents per pound. This is the lowest price since 1948, when dairies received 29.8 cents per pound.

"The price reduction was postponed for several months in the hope that the export price would improve. During this period the dairies were compensated for the low export price through the Danish dairy industry butter pool fund. The recent price reduction came when the fund was depleted" (Foreign Crops and Markets, Mar. 10, 1958, p. 20).

"Swedish citizens are taking advantage of the low Danish butter price (see Foreign Crops and Markets, Mar. 10 and Mar. 17, 1958) through shopping tours to Denmark. During the week of February 16 to 22, about 80,000 Swedish shoppers brought 1.7 million pounds of duty-free Danish foodstuffs into Sweden, including an estimated 545,000 pounds of butter. Until recently, the Swedish Customs Office has permitted the entrance of 10 kilograms (22 pounds) of duty-free food. Through pressure from various farm organizations, this limit was reduced to 5 kilograms.

"In February, when the wholesale price of Danish butter was reduced to 29.6 cents per pound, the wholesale price of butter in Sweden was 60.1 cents per pound" (Foreign Crops and Markets, Apr. 14, 1958, p. 15).

According to Amsterdam's De Telegraf, 00 percent of the annual export of butter leaves the Netherlands at prices below the cost of production. It is being subsidized to the extent of 21.1 cents per found (Foreign Crops and Markets, Feb. 10, 1958, p. 16).

"A temporary ban was placed today on import of Belgian butter into Britain, where the public is enjoying a glut of cheap butter. The British Government acted after reports that 1,000 tons of Belgian surplus butter stocks was being offered to the British market at 1 shilling 6 pence (21 cents) a pound.

"Reports from Brussels indicated that the difference between this price and the retail price in Belgium of 5 shillings 6 pence to 6 shillings (77 to 84 cents) a pound, would be made up to exporters out of an agricultural fund set up by the Belgian Government" (New York Times, May 10, 1958).

"Export subsidies paid by the Finnish Government for dairy and poultry products in 1957, totaled $30.4 million, compared with $18.8 million in 1956. The domestic consumer subsidy, already included in the wholesale price of butter, amounted to an additional $8.8 million on butter exported.

"Finland exported 55.6 million pounds of butter in 1957 under export subsidy of $28.1 million. Cheese exports were 29.5 million pounds and accounted for subsidy of $3.1 million. Exports also included 5.5 million pounds of milk powder with a subsidy of $1.3 million, and 9.0 million pounds of eggs subsidized at $1.9 million" (Foreign Crops and Markets, Mar. 10, 1958, p. 28).

The May retail price for finest quality New Zealand butter in British markets was about 30 cents per pound (Foreign Crops and Markets, May 19, 1958, p. 13).

"Claims by the Italian press that European countries have been selling butter at less than production cost, thus forcing down prices in Italy, prompted the Italian Government to issue a decree on March 31, 1958, which temporarily suspends all imports of butter" (Foreign Crops and Markets, Apr. 21, 1958, p. 13).

In April, Sweden was exporting large quantities of butter "at prices just one-half the domestic factory price" (Foreign Crops and Markets, Apr. 7, 1958, p. 13).

Over 90 percent of 1957 Irish butter exports were heavily subsidized (Foreign Crops and Markets, Jan. 28, 1958, p. 10).
In connection with its export subsidy on dairy products, Finland devalued its Finnmark 30 percent (Foreign Crops and Markets, Jan. 13, 1958, p. 14).

Mr. HEALY. Well, one thing that would figure into it is what happens to this milk after it leaves the farm. The plant labor is higher, the transportation is higher and so on.

The CHAIRMAN. Will you give us a memorandum explaining that?

Mr. HEALY. Yes, sir; I will.

Senator MARTIN. Mr. Chairman, as I understand, what the hourly wage is, that is to the operator.

Mr. HEALY. To the farmer.

Senator MARTIN. Well, now, what does he pay, do you have any information as to what he pays for his hired help or hired labor? What I am getting at, I thought it was much higher than that.

Mr. HEALY. He pays his help more than he nets for himself.

Senator MARTIN. That is what I was trying to find out. Do you have any figures on that?

I know in my own State, I know that our farmers have to pay considerably more than 60 cents an hour.

Mr. HEALY. That is correct.

Senator BENNETT. Then your figure of wages of 43 cents an hour is really profit translated into wages?

Mr. HEALY. That is correct.

Senator FREAR. By the operator?

Senator BENNETT. By the operator.

Mr. HEALY. It amounts to his entire profit for owning a farm and spending all his time on it.

Senator BENNETT. That is right. But you are comparing profit in one case with wages paid in another case, which is not always an accurate comparison.

Mr. HEALY. That is true.

Senator KERR. What you are saying is that his profit amounts to that much to him on the basis of the hours which he and his family put into the operation.

Mr. HEALY. That is correct, Senator.

The CHAIRMAN. But a good many farmers in my section do most of the work themselves and in that event they would only get 43 cents; is that right?

Mr. HEALY. That is correct.

The CHAIRMAN. That would be regarded as wages?

Mr. HEALY. That is correct.

Senator MARTIN. Do you take into consideration the investment that the farmer has, his land—he owns his land, he owns equipment, I know in my part of the country to equip a 100-acre farm a man has got to invest about $30,000 in equipment, and I mean that is a minimum, that is no luxurious equipment, that is just the necessary equipment.

Mr. HEALY. This Department study makes a reasonable allowance for return on capital before computing net income and then converts net income into cents per hour for the farmer's time.

The CHAIRMAN. I do not see how he could live on 43 cents.

Mr. HEALY. I have seen recently a study of the northern Illinois farm management service which indicated that if a man got 4 percent

on his capital investment in his farm, before they showed any return for wages, he would have to have a large farm.

The CHAIRMAN. I wish you would review the bottom part of page 3 and give us another memorandum supplementing it.

Mr. HEALY. Yes, sir; we will be happy to do that.

The CHAIRMAN. Try to ascertain whether this Denmark butter is subsidized, and if not subsidized, why they can produce it for 23 cents and it costs 60 cents in this country, apparently with equal wage scales.

Mr. HEALY. We will be glad to furnish that to you.

The CHAIRMAN. I am not criticizing your statement but I would like you to amplify the statements on pages 3 and 4.

Mr. HEALY. Yes, sir; we will be glad to furnish that for the record. (The material referred to is covered in the previous memorandum.)

The CHAIRMAN. You may proceed.

Mr. HEALY. Senator, that completes what I wanted to say.

The CHAIRMAN. Are there any questions?

Senator BENNETT. I just have one. You are protected by section 22 so you do not face a free and open importation of dairy products?

Mr. HEALY. That is correct; yes, sir.

Senator BENNETT. Do I understand the most serious invasion you have faced is this invasion of Australian butterfat which amounts to 4 million pounds out of 12 billion?

Mr. HEALY. Well, we have faced—this is the latest. We have faced a series of these things back to 1951 or 1952——

Senator BENNETT. But in every case the law, the machinery of the existing law, has operated and one by one these threats have been wiped out even though it took time to wipe them out?

Mr. HEALY. Well, not necessarily, Senator Bennett, because what happens, as in the case of this butter oil, the way we got it stopped was with a proclamation which allowed about 1½ million pounds of it in each year.

Each time we stop something we lose ground.

Senator BENNETT. But comparatively small?

Mr. HEALY. Comparatively small; yes, sir.

Senator BENNETT. In other words, you are in a much more fortunate position than the bicycle industry represented by the man who testified ahead of you.

Mr. HEALY. I don't know.

Senator BENNETT. Well, he testified that a million bicycles came in as compared with—let's see, what were his figures—41.3 percent of the American consumption was represented by imported bicycles.

You do not have such a situation?

Mr. HEALY. As I have previously testified, it is important to the national welfare to protect the dairy production industry because of its importance in the agricultural economy.

Because milk is bulky and perishable and must be marketed each day, a very small surplus can demoralize pricing in every market. We are producing only about 5 percent more milk than is being consumed commercially. This excess production is within the realm of manageability. This 5-percent surplus problem is one upon which the Congress and every dairy farmer in our Nation is working to attempt to find a solution. Therefore, it is of extreme importance to limit this

problem to a domestic problem. The legislation which we propose would go a long way toward accomplishing this goal.

Section 22 of the Agricultural Adjustment Act is operative only when there are Government programs which would be affected by imports. Therefore, we find ourselves in the anomalous situation of attempting to reduce our surpluses so that we can achieve better farm prices for milk when we know that if we were to reduce our surpluses and put the Government out of price support business, we would then make section 22 inoperative and allow for the flooding of our markets with foreign surpluses.

For this reason, the proposed legislation also broadens the base under which section 22 would operate.

Senator BENNETT. I think the committee will have to find out whether in fact it does have jurisdiction over section 22 of the Agricultural Adjustment Act and I think as an observation, the bicycle man would be very happy to trade his position for yours.

The CHAIRMAN. Do I understand you will furnish the information about the imports of these different categories?

Mr. HEALY. Yes, sir.

The CHAIRMAN. Thank you very much.

Senator CARLSON. Mr. Healy, I just want to say that you have very fine members in Kansas and I will report to them you have finely represented them here.

The CHAIRMAN. Thank you for your statement, sir.

(Mr. Healy's statement and suggested amendment is as follows:)

STATEMENT OF PATRICK B. HEALY, ASSISTANT SECRETARY OF THE NATIONAL MILK PRODUCERS FEDERATION

The National Milk Producers Federation is a national farm organization. It represents over half a million dairy farmers and some 800 or more dairy cooperative associations which they own and operate and through which they act together to process and market at cost the milk and butterfat they produce on their farms.

The federation reflects a composite viewpoint of dairy farmers located in all of the 48 States. Our bylaws require that at least 75 percent of our board of directors must be active dairy farmers. The remainder of the board is made up of managers and officials of dairy cooperatives which in turn are owned and controlled by the dairy farmers they serve.

Practically every form of dairy product produced in the United States in substantial volume is produced and marketed through farmer-owned cooperative dairy plants represented by the federation.

The policies of the federation are determined at annual membership meetings. These meetings are attended by some 1,000 or more dairymen from all parts of the Nation. The delegates are selected locally, primarily on the basis of their leadership and interest in the dairy field. Every State in the Union and the various forms in which milk is processed and marketed are represented on our general resolution committee. As a result of this broad representation, the federation's policies provide an accurate cross-section of the thinking of the American dairy farmer.

Dairy farmers for many years have been deeply concerned about matters of foreign trade insofar as they relate to dairy products. They are particularly disturbed over the apparent trend in recent years to permit American farmers and American labor to be used as pawns in the intangible and nebulous game of international politics.

The very existence of the dairy industry in this country depends on effective controls against a destructive level of dairy product imports. We believe, sincerely, that had the federation not accurately presented the danger to Congress, and had Congress not acted in our behalf, our domestic source of supply of milk and dairy products by now would have been seriously impaired.

This committee will recall the determined and repeated efforts of the State Department to terminate import controls on dairy products under section 104 of the Defense Production Act, without providing alternative controls. Had the State Department been successful in that effort, our domestic source of supply of milk and dairy products in a very substantial measure, would, by now, have ceased to exist. Only the wise action of Congress, under such power as it still retains over foreign trade, prevented that unhappy result.

There has never been a time in the history of the Nation when it was more important to have within our own shores the capacity to produce adequate supplies of such essential foods as milk and butterfat. We would only be fooling ourselves if we did not recognize the fact that in the event of war an offshore source of supply of dairy products would be most uncertain and unreliable. Should our domestic source of supply be displaced to any substantial extent by excessive imports it could not be redeveloped in time to meet emergency needs. We would surely be playing into the hands of our enemies if we permitted this important domestic source of an essential food to be traded away for dim and uncertain political benefits. Congress must retain its power to prevent this.

Agriculture is a very important segment of the national economy and dairying is a very important segment of our agricultural economy. It is most important that the economic stability of dairying be not jeopardized by excessive imports of dairy products.

Dairy farmers are in a serious economic squeeze, and their economic status, like that of agriculture generally, is out of balance with the rest of the economy.

One of the things we learned from the depression of 1929 was the important bearing which the purchasing power of farmers, or the lack of it, has on the economy of the Nation as a whole. There is a striking similarity of pattern between the beating down of farmers' prices that preceded the depression of 1929 and the beating down of farmers' prices during the past few years that preceded the current downturn.

Hourly returns for dairy farmers in the three test areas reported by the Department of Agriculture are 43 cents in eastern Wisconsin, 52 cents in western Wisconsin, and 70 cents in the central northeast. These are unfair wages under any standard, and the country is unfairly living off the depreciation and reserves of the dairymen. These returns cannot go down to meet lower priced imports produced in countries where wages and living standards are far below those in this country. These returns are based on support prices for butter in New York of 60½ cents per pound, cheese 35 cents per pound, and nonfat dry milk 16 cents per pound. Since April 1, these support prices have been further reduced. The current support price for butter in New York is 58.75 cents per pound.

Contrasted with these prices are the export prices of Commodity Credit Corporation of 39 cents per pound for butter, 22 cents per pound for cheese, and 9.9 cents per pound for nonfat dry milk. That world prices are actually lower than these figures is clearly indicated by the small volume of CCC stocks moving into world trade at these prices. The May issue of Foreign Crops and Markets, USDA, quotes Danish butter at 23.1 cents per pound wholesale in Copenhagen. New Zealand and Australian butter delivered in London is quoted at less than 26 cents per pound. United States tariffs are only 7 cents per pound on 60 million pounds and 14 cents per pound on all over 60 million pounds. Shipping costs are about 4 cents per pound.

Thus it is apparent that there is a price differential between our domestic prices and world prices which would result immediately in a destructive level of imports if effective controls are not maintained. As indicated above, domestic prices cannot be further reduced to meet the foreign prices, because they are already at a dangerously low level, both in terms of actual dollars and in terms of comparative purchasing power.

These price differentials result from the higher standard of living maintained in this country and from higher wages paid labor which goes into the cost of production and also into the cost of the things that farmers buy.

A stock argument in favor of free trade is that American efficiency will offset lower wage rates and lower living standards of competing foreign nations. That may be true in some highly mechanized industries. In the dairy industry, the price disparity noted above exists in spite of all the advances that have been made in efficiency and mechanization.

Another argument frequently made is that dairy exports exceed dairy imports. While we are grateful for such dairy exports as we have, the volume

is relatively small and practically all of the exports are either giveaways or sales at reduced prices through CCC.

It requires only a moment's thought to realize that with the sharp price disparity that exists any relaxation of import controls would result only in a flood of dairy imports without any corresponding increase in commercial dairy exports. We do not believe the American dairy industry should be traded off to permit some other industry or some other segment of agriculture to ship more of its products abroad.

We are not opposed to foreign trade. On the contrary, we believe that every effort should be made to develop a beneficial foreign trade. Beneficial foreign trade result when one nation trades to another things which the importing nation wants and needs and which it can put to a constructive use. We are unable to see anything beneficial in foreign trade through which we are forced by other countries to take products which we do not want and do not need and which merely add to the already heavy burden of our own surplus. Is it possible that we still must learn the hard way that there is no profit in carrying coals to Newcastle? Neither do we see anything beneficial in a level of imports which would undermine one of our most important and essential segments of American agriculture and impair our domestic source of supply for an essential food.

As long as living standards in this Nation remain high and a substantial price disparity exists between domestic and world prices, it is obvious that effective import controls must be maintained to regulate the volume of dairy products coming into this country. The same conditions require that export prices be adjusted to world levels for those products to be moved abroad.

In that connection, the federation has never recommended that our surplus dairy products be dumped into world trade in such a manner as to disrupt the world market.

We do believe, however, that this country should insist upon moving into world trade, at competitive world prices, a volume of agricultural products equal to our fair share of the world market.

We believe, also, that this country need not and should not apologize for protecting its own agricultural economy and enterprises from a destructive level of imports.

The federation has never asked for permission to ship dairy products into a foreign nation at levels which would undermine or destroy the dairy industry of that nation. It is time that other nations should accord us the same courtesy—and it is time that this country should insist that they do.

We would like at this point to call attention to the testimony recently given the Subcommittee on Foreign Trade Policy of the House Ways and Means Committee by Dr. John H. Davis, of Harvard University. He recommended that our foreign-trade policy recognize the price disparities which exist and are likely to exist for some time with respect to our agricultural products and that we make section 22 of the Agricultural Adjustment Act a definite part of our foreign-trade policy.

In this connection, we would like to call to your attention again the weak, apologetic, and uncertain waiver which the State Department entered into with the GATT nations. In effect, the waiver takes the position that the use of section 22 import controls, even though authorized by Congress, is a violation of GATT and that this country can use such controls only at the sufferance of the other GATT nations.

One of the considerations bearing on the waiver is the fact that prices for agricultural products in this country are being reduced to the minimum levels permitted by law.

Thus, in effect, we have the GATT nations undertaking to say to us that Congress cannot control our own foreign trade except with the consent of the GATT nations and that we may not be able to get that consent if we do not adjust our domestic agricultural prices to suit their wishes.

This condition is bad enough now, but we fear it would be greatly aggravated if Congress should ever give its approval to GATT or to an international trade organization, such as OTC, to administer GATT.

We believe it is most important that legislation extending the authority of the President to enter into trade agreements bear a caveat against approval of GATT. Such a caveat serves as notice to foreign nations that Congress, and not the President, is still the source of the constitutional power to regulate the foreign trade of the United States.

We recommend that authority to negotiate trade agreements be limited to 1 year and that authority for additional tariff cutting powers be deleted from the bill. The bill before the committee would permit tariff cuts to be made over the next 9 years. A lengthy extension is not necessary, and Congress will have relinquished much of its direction and control over the program if it does not review and renew the President's authority at shorter intervals.

Actually, in the case of dairy products, tariff cuts already made, coupled with inflation and currency devaluation, and manipulation, have rendered the current tariff rates ineffective. As a result, we have been compelled to turn to import quotas to prevent a destructive level of imports. It is our belief that import quotas are the most practical way to control imports. One of their big advantages is that they are definite and certain, and the volume to be admitted can be accurately planned. Removing uncertainty as to the actual volume that can be imported is beneficial to both the exporting and importing countries. Imports of a known volume, we believe, cause much less harm on the market than would actual imports of a similar volume coupled with uncertainty as to what the total amount might be. With tariffs there is no way of controlling the total volume because foreign price changes or currency manipulation in foreign countries can materially change the picture. In the case of dairy products which must be stored during the flush season, this presents a serious problem. The difficulty is enhanced by the fact that important dairy exporting countries south of the Equator have their flush season when our domestic products must move out of storage.

Turning to the bill H. R. 12591, we have indicated our opposition to a 5-year extension of the Trade Agreements Act and to the additional tariff cutting power it would provide.

The bill would authorize the President to proclaim increased tariffs negotiated under a trade agreement 50 percent above the rate in effect July 1, 1934. While we have no objection to this provision, we do not think that it has any practical value. The power which the President already has to proclaim increased tariffs negotiated in a trade agreement has not been used, and we know of no reason which would justify us in assuming that the increased power will be used.

Apparently this provision was included in the bill to support arguments that added protection is being provided under the escape clause. Many statements about the Bill indicate that the provision is being used for that purpose.

It should be pointed out that this provision does not increase at all the remedy in escape-clause actions. It applies only to tariff increases which * * * "are required or appropriate to carry out any foreign trade agreement that the President has entered into * * *" (19 U. S. C. sec. 1351 (a) (1) (B)).

The remedy in escape-clause actions is set out in title 19, United States Code, section 1364, and is limited to the withdrawal of trade agreement concessions or the establishment of import quotas.

We recommend that the power to increase tariffs 50 percent above the rate in effect July 1, 1934, be transferred to the escape-clause section.

If this provision is intended in good faith to strengthen the escape clause, there will be no objection to transferring it to the escape-clause section. If it is not so transferred it should be stricken from the bill to prevent its further use as a subterfuge.

We are apprehensive about the provisions of the bill requiring a two-thirds vote of both Houses of Congress to put into effect a Tariff Commission recommendation to prevent injury, over the objection of the President.

This is a direct reversal of the constitutional provision requiring international agreements in the form of treaties to be approved by a two-thirds vote of the Senate (art. II, sec. 2, clause 2 of the Constitution), and we fear it represents another stage in the tremendous struggle going on to wrest from Congress its constitutional power to regulate foreign commerce.

We believe this provision would be a further relinquishment by Congress of this most important power, and we recommend that it be deleted.

The escape clause is not operating satisfactorily and some control over the power of the President to ignore Tariff Commission findings of injury and recommendations for relief is urgently needed. However, this control should be exercised by Congress reclaiming some of its delegated power and not by further relinquishing its power.

We are at a loss to understand the provision for an escape-clause investigation following a peril-point finding of inadequate tariffs. Certainly if there

were any intention on the part of the President to recognize injury to the American producers he could do so in the peril-point negotiations. If he chose to ignore injury to the American producer in peril-point negotiations presumably he would follow the same course in the following escape-clause action.

We are concerned lest this provision be used as an excuse for ignoring the peril-point recommendations.

A proposal for dealing with excessive imports of agricultural commodities has been developed by the National Conference of Commodity Organizations.

The NCCO is composed of 36 commodity organizations, all representing producer interests, which have banded together for the purpose of developing a united policy on matters of common interest such as our domestic agricultural programs and those foreign trade policies which may adversely affect our domestic agriculture.

This proposed amendment of section 22 of the Agricultural Adjustment Act would authorize the Secretary of Agriculture to use import quotas to protect the agricultural policies of Congress and the agricultural programs authorized by Congress against a harmful level of imports.

It would not restrict imports which do not adversely affect the agricultural policies of Congress, nor would it permit import quotas to be set below the minimum levels now provided by section 22 of the Agricultural Adjustment Act.

It proceeds on the theory that determinations of import levels, insofar as such imports affect agriculture, should be made by the Secretary of Agriculture. It then authorizes the President to permit additional imports in the interest of foreign trade, foreign relations, or other considerations which affect the Nation as a whole.

Since imports in excess of the level set by the Secretary would be harmful per se to the domestic commodity or product affected, the Commodity Credit Corporation would remove a corresponding amount of such product from the domestic market, thus offsetting the harmful effect of the additional imports. The cost of this would be charged to the foreign trade, foreign relations, or other program served by such additional imports.

AGRICULTURAL IMPORTS

SEC. —. Section 22 of the Agricultural Adjustment Act, as amended, is further amended by adding the following new subsections:

"(g) In addition to the import controls provided above, the Secretary of Agriculture is authorized and directed to prescribe import quotas in the manner hereinafter provided for the purpose of preventing imports from adversely affecting the agricultural policies of Congress. It is the policy of Congess, except as otherwise expressly provided for any commodity, to maintain adequate domestic sources of supply of agricultural commodities and the products thereof and to stabilize domestic prices for such commodities and products at levels which will equalize the economic status of agricultural producers with that of other segments of the economy generally and provide fair returns for the labor and investment of such producers.

"(h) Imports of articles which interfere or tend to interfere with the objectives mentioned above by displacing or tending to displace sales or other outlets for domestically produced agricultural commodities or the products thereof or by creating a condition of uncertainty with respect to domestic supply-demand relationships, or by injecting an element of instability in long-range planning, adversely affect the agricultural policies of Congress. Import quotas shall be established by the Secretary for all articles the importation of which in the quantities reasonably to be anticipated would adversely affect the agricultural policies of Congress with respect to any agricultural commodity or the products thereof. Subject to the limitations hereinafter provided, quotas so established shall be at such levels as the Secretary determines and announces would not have such adverse effect.

"(i) Import quotas established by the Secretary under this section may not be proportionately less than 50 percent of the total quantity of such article which was admitted for consumption during a representative period determined by the Secretary. If there were no imports of the designated article in a representative period, a zero quota may be established. Designations of articles in such quotas shall be sufficiently broad to prevent evasion and unless otherwise provided shall

include any form, mixture, product, or source in which the article appears in other than inconsequential amounts. Designations may be amended by the Secretary to prevent evasion, without hearing. The Secretary shall give due notice and afford interested parties an opportunity to appear and present statements in connection with any ruling establishing, modifying in a substantial degree, or terminating any such import quota. The Secretary may prescribe rules and regulations relating to the powers conferred upon him by this section, and his decisions with respect to such import quotas shall be final.

"(j) The President may authorize imports of any article in excess of the quantities established by the Secretary as the level at which the agricultural policies of Congress would be adversely affected.

"(k) No imports of any article for which import quotas have been established by the Secretary in accordance with this section shall be admitted for consumption in excess of the import quota so established plus such additional quantities as may be authorized by the President in accordance with this section.

"(l) Whenever additional imports of any article shall be admitted for consumption in accordance with the authorization of the President as herein provided, the Secretary, through the Commodity Credit Corporation or any other agency available to him, shall remove from the domestic market a corresponding quantity of articles the sales or other outlets for which are adversely affected by such imports. Articles so removed from the domestic market shall not thereafter be disposed of by the Secretary in such a manner as to adversely affect the agricultural policies of Congress. In removing such excess supplies from the market, the Secretary may acquire either imported articles or domestically produced articles. The cost of removing from the domestic market excess supplies equal to additional imports authorized by the President, as herein provided, shall be separately computed and shall be charged to appropriations relating to the program served by such additional imports.

"(m) The provisions of subsections (a) through (e) shall not be applicable to the commodities or products covered by subsections (g) through (m), except that import quotas or tariff rates in effect on any such commodity or product shall continue in effect until such time as import controls covering such commodity or product become effective under subsection (g) through (m)."

The CHAIRMAN. The next witness is Mr. R. W. Hooker, Synthetic Organic Chemical Manufacturers Association.

Mr. Hooker!

STATEMENT OF R. WOLCOTT HOOKER, PRESIDENT, SYNTHETIC ORGANIC CHEMICAL MANUFACTURERS ASSOCIATION

Mr. Chairman and distinguished members of this committee, I am R. Wolcott Hooker, president of the Synthetic Organic Chemical Manufacturers Association, whose members produce more than 90 percent of the total output of synthetic organic chemicals of this country.

Our industry is comprised of more than 237,000 employees, located in 766 different establishments, in 42 of our 48 States. Our annual payroll is in excess of $1 billion.

A strong organic chemical industry is vital to America's continued security, particularly in the areas of atomic energy, chemical warfare, missiles, space satellites, and jet propulsion. The ability of our industry to serve the military and security needs of the United States depends upon the maintenance of its productive capacity and the retention of its technically trained manpower.

Synthetic organic chemicals themselves are the result of numerous separate and complex operations involving techniques and know-how which are acquired only after years of study and training. Many of these products are the result of "batch" operations, where mass volume production or use of automated plant equipment is not feasible.

The operations of our domestic organic chemical industry are so interrelated and complex that an ordinary chemical sold for many commercial purposes may well be the most essential material in the production or use of a critical and classified military implement or material.

The spectacular growth of the organic chemical industry in West Germany, France, Switzerland, the United Kingdom, Italy, and Japan and the demonstrated ability of those countries to produce similar products in comparable output at labor costs from one-fourth to one-tenth of those in the United States requires that great caution be exercised in considering further tariff reductions on these products.

However, in appearing before you today, in opposition to H. R. 12591, we wish to emphasize that our association does not oppose a truly reciprocal and mutually advantageous trade agreements program.

As administered, however, the present program has not been truly reciprocal in the past. We agree with the Randall Commission report, the study recently completed by the Boggs subcommittee of the House, and the report released only this month by the Rockefeller Bros. Foundation that the true need is for a long-range foreign economic policy, following a complete review and revision.

The Congress has amended the basic Trade Agreements Act of 1934 on 10 occasions, and each amendment has been of a patchwork nature, designed to cope with a specific situation.

We feel that Congress would be wise to begin immediately the task of formulating legislation to implement a long range and definitive foreign economic policy.

Meanwhile, with respect to the proposed legislation, it is our view that the Trade Agreements Act should be extended for a period of 2 years only.

This will serve the immediate needs of our country and its friends in the free world, and will provide sufficient time to permit the United States to reexamine its foreign economic policy, and determine with more certainty the direction in which this country should proceed in matters of international trade.

Should this committee consider it desirable to recommend extension of the authority of the President for a 2-year period, we further suggest that such extension include authority to reduce or modify rates of duty by not more than 10 percent, on the same basis as the Congress enacted the Trade Agreements Extension Act of 1955.

Such power should be exercised in 2 stages of 5 percent each year, with any unused authority lapsing at the end of each year.

In addition, concessions should not be granted on any tariff items which were subjected to reductions in duty during the period of 1955 to date.

Without wishing to inject ourselves into a complex question of constitutional law, we doubt the usefulness of the provision which requires a two-thirds vote of both Houses to overturn the President's disapproval of Tariff Commission findings under the escape clause.

We desire, however, to comment on provisions contained in H. R. 12591 dealing with the escape-clause remedies available to domestic producers who claim injury as a result of trade-agreement concessions.

It is our feeling that legislation extending the Trade Agreements Act should contain provisions making the findings of the Tariff Commission final and conclusive on questions of serious injury, but permit the President to override these findings where impelling questions affecting national interest may be involved.

The President, in such cases, should clearly indicate that considerations other than injury to an industry are the basis of his action.

H. R. 12591 amends existing law to provide that wherever the Tariff Commission determines that a peril point has been exceeded, it shall immediately institute an investigation under the escape-clause provisions of the law.

It also changes the time within which the Tariff Commission must ascertain its peril-point findings from 120 days in existing law to 180 days.

Both of these changes, in the opinion of our association, are desirable and are improvements in the administration of the program.

H. R. 12591 does not provide, however, for what we consider a most important part of intelligent administration of the trade-agreements program. Existing law provides standards or guidelines to the Tariff Commission in determining when and under what circumstances the escape-clause remedies may be invoked.

Equally important, in our opinion, is the necessity of establishing peril-point standards to guide the Commission in preventing the possibility of injury.

The Congress has wisely required that peril-point determinations be made in advance of negotiations of a trade agreement, but has left the Commission without legislative criteria by which it may intelligently perform this most necessary task.

We suggest that the Commission be required to consider several factors in arriving at a peril-point determination. Among these the Commission should compare the selling prices of an imported product under existing rates of duty with that of a similar and competing domestic product.

Where imports are selling below the usual wholesale price of a domestic product a further reduction in duty may, and probably would, result in injury or threat of injury to a competing domestic producer.

The Commission should also determine which is the principal foreign supplier country for each item on the negotiating list and determine the extent to which other foreign suppliers may be a major beneficiary of any concession.

Under existing law, as well as H. R. 12591, the President in theory and executive agencies in practice prepare a list of articles for negotiation of a proposed trade agreement.

There is nothing in the law which authorizes or directs the Tariff Commission, which we submit is for this purpose the best-informed agency of Government, to participate in the formulation of these lists or to advise the President as to the contents of such lists.

It is our opinion that since the Tariff Commission possesses expert knowledge by reason of its long and broad experience in these matters, and is fully acquainted with the problems of domestic industry as well as thoroughly familiar with conditions affecting imports, that any extension of the Trade Agreements Act should contain provisions di-

recting that the Commission be made a party to the formulation of these lists and that its advice be sought and considered by the President prior to the promulgation of such preliminary lists.

We also submit a suggestion which we believe to be noncontroversial. There are defects in the procedure for publication of notice of hearings of proposed negotiations of trade agreements. Notice of these hearings has been inadequate, so far as our industry is concerned, in informing producers whether products which they make may become items for tariff reductions.

It is a matter of record that in the 1956 trade agreement negotiations, concessions were granted on broad categories of chemicals provided for in so-called "basket clauses" of schedule I of the Tariff Act.

The "basket clause" language is so broad that domestic producers could not know which of their products were intended to be made the subject of negotiations.

It is not possible for domestic industry to prepare itself to comply with the requests for information from agencies of the executive department or the Tariff Commission and make an adequate presentation where the form of notice is so vague as to comprehend hundreds of chemicals within the scope of the language used.

A simple amendment of existing law would dispel the uncertainty faced by domestic industry as each round of tariff negotiations is announced. Certainly domestic producers are entitled to know which of their products are or may be the subject of negotiations.

Where it appears that the tariff classification of any similar imported products is covered by "basket clause" language, the public announcement should specify not only the tariff provision but identify specific products under such provision.

This may be done by listing the commercial or common name of each product, as well as its tariff classification provision.

The provisions of H. R. 12591 amending section 2 of the 1954 Trade Agreements Extension Act, the so-called national defense provisions of existing law, are, in the opinion of the association, desirable changes. We believe that under the language of H. R. 12591, investigations on national defense questions will be speeded up and determinations made under these provisions will be predicated upon a sounder basis.

In closing, may we emphasize again that it is our belief that only through a complete overhaul of the trade-agreements program will the United States be in a position to meet the new and fundamentally different economic alliance and trade patterns which will emerge over the next 10 years.

We note that administration spokesmen have indicated negotiations under a 5-year extension of the act probably will not be completed until mid-1962. It is possible that the authority will not be used up until 1968—in effect a 10-year extension of the law.

The economic offensive of the Soviet, the development of the European Common Market and possible creation of Western Hemisphere trade federations will create varied problems requiring tremendous flexibility in our foreign economic policy.

We must be prepared to cope with "state trading" practices of the Soviet; we may find it desirable to adapt our most-favored-nation principle to meet conditions arising out of regional trade compacts establishing preferential tariffs; we must not commit ourselves to

obligations which are indefinite in their tenure or from which we find it almost impossible to extricate ourselves without outright repudiation.

We believe that neither H. R. 12591 nor any other patchwork amendment of the Trade Agreements Act of 1934 will serve as a substitute for a complete congressional review and revision of legislation implementing our foreign economic policy.

Pending the enactment of such comprehensive legislation, however, we urge the adoption of the suggestions we have just mentioned.

Our association appreciates the opportunity to appear here today. Our long and continued interest in the trade-agreements program and its administration prompts us to express the views we have here submitted.

Thank you, sir.

Senator FREAR. Mr. Hooker, as you know, the State from which both the Senator from Delaware and myself come have an interest in the synthetic organic chemical industry.

Now, you have in your statement mentioned some things of H. R. 12591 with which you agree or which you think are good amendments or good additions.

You also said in your prepared statement there are some with which you disagree and, further, than that you have said that there are some suggestions available.

I did not quite gather that you made those complete suggestions, and I wonder if you would supply for this record those suggestions as to how to carry out the desires that you wish to accomplish.

Mr. HOOKER. Sir, the association which I represent here has had the temerity to prepare suggested legislation. We recognize that we are amateurs in this field. We only offer these suggestions for their context and not for their form. If I may, I have here suggested amendments, with comments about them describing what they are proposed to accomplish, and I would like to submit them for the record.

Senator FREAR. I am sure we would be glad to have them, Mr. Hooker, and I want it understood for the record, too, that I have not seen you before.

Mr. HOOKER. Certainly.

Senator MALONE. You don't repudiate him, do you?

Senator FREAR. I do not repudiate him, but, fortunately, we asked for something that he had, but I know he would not come ill prepared anyhow.

Senator Martin?

Senator MARTIN. No questions.

Senator FREAR. Senator Douglas.

Senator DOUGLAS. Mr. Hooker, do you believe the tariff on chemicals should be increased?

Mr. HOOKER. No, sir.

Senator DOUGLAS. Do you think quotas should be imposed on the importation of chemicals?

Mr. HOOKER. I think that this should be possible in some cases. I think, in an emergency, I have no specific——

Senator DOUGLAS. But, in general, you favor restricting further the importation of chemicals?

Mr. HOOKER. Yes, sir.

Senator DOUGLAS. What are the total imports in dollars, dollarwise, of chemicals in this country; do you remember?

Mr. HOOKER. The total imports—well, let me see; I cannot give you the figure, but it is approximately $500 million.

Senator DOUGLAS. What are the total exports of chemicals?

Mr. HOOKER. The total exports, sir, is a very controversial figure, because, as published in any Government publication, they include chemicals and allied products, and you would be amazed how many things can be allied to chemicals, and so you get a great distortion of what we in the chemical industry regard as real chemicals.

Senator DOUGLAS. Can you remember what the Department of Commerce figures are on chemicals and allied products?

Mr. HOOKER. I think it is approximately three times.

Senator DOUGLAS. A billion and a half?

Mr. HOOKER. A billion and a half; something of that kind.

Senator DOUGLAS. What are some of these allied products?

Mr. HOOKER. I would like to say, sir, it is my recollection, we in the chemical industry would accept approximately $800 million as a reasonably accurate figure of chemicals.

Senator DOUGLAS. What are some of these allied products?

Mr. HOOKER. The others are allied products.

Senator DOUGLAS. What are these allied products?

Mr. HOOKER. They are phosphate rock; they are dried blood; there are all sorts of strange things.

Senator DOUGLAS. I would imagine that the exportation of dried blood would come to enormous dollar figures.

Mr. HOOKER. As I say, these are examples.

Senator DOUGLAS. Have you ever prepared an analysis of the billion-and-a-half figure and listing the specific allied-products items that you think are not chemicals and the value of the exports of each of these?

Mr. HOOKER. I think that there is in the room one of my associates who has a list of several of those that I could—if you will excuse me a moment.

Senator DOUGLAS. Surely.

Mr. HOOKER. Here are some of the things, Senator; fertilizer material, such as dried blood; phosphate rock, coke ovens byproducts, pharmaceutical preparations.

Senator DOUGLAS. Excuse me; on that pharmaceutical products, aren't they chemicals?

Mr. HOOKER. Yes. They are chemicals in a real sense.

Senator DOUGLAS. Isn't phosphate really a chemical?

Mr. HOOKER. In the form of rock, I would not think so. Herbs, leaves, roots, pigments, paints, varnishes——

Senator DOUGLAS. Wouldn't you say paints are chemicals?

Mr. HOOKER. Closely allied, sir, and this is the confusion, because they throw it into something they call allied products. True, there is no question about it. The oil industry is very closely allied with the chemical industry and, in fact, in many areas it is the chemical industry, but still we talk about oil——

Senator DOUGLAS. The figures on oil published by the Department of Commerce, though, are separate, are they not?

Mr. HOOKER. Yes. There are toilet preparations, turpentine, gums, and other naval stores. Really, none of those things are what I think we here are talking about—the chemical industry. The fact is that we cannot get an exact analysis to answer your question, because the figures simply are not available in an accurate way, sir.

Senator DOUGLAS. But, even according to your figures, your exports of what you would classify as chemicals approximately are $800 million?

Mr. HOOKER. They are more than——

Senator DOUGLAS. Sixty percent more?

Mr. HOOKER. Yes, sir.

Senator DOUGLAS. Suppose we imposed quotas on chemicals coming from abroad; might not this lead the other nations to impose quotas on chemicals coming from us and, therefore, would we not injure the chemical industry more by that program than we would help them, taking the industry as a whole?

Mr. HOOKER. Sir, a great many, I cannot say all, but almost all of the European countries do impose quotas.

Senator DOUGLAS. I know, but they might impose more rigorous quotas.

Mr. HOOKER. Yes, sir, it is a matter of degree. They might impose more rigorous ones, this is quite true.

Senator DOUGLAS. The chemical industry really has me puzzled, because the export figures are greater than the import figures and yet we have these big chemical companies asking for either higher tariffs or more restrictive quotas, and I wondered whether it is only certain branches of the chemical industry who feel this way.

Mr. HOOKER. Sir, if I can make some remarks on that, I am reasonably sure that you have listened to enough speeches on this subject to recall that right after the First World War, Wilson himself said that the chemical industry of this country should never find itself again in a position where it was dependent so totally on foreign production, and so there was built into the law a protection for the chemical industry.

The chemical industry of the United States is very proud of itself. It does not regard itself as an infant or a weak industry. We are very proud, we are very proud of the contribution we have made as an industry to the security and the strength and the economy of the country.

We want to preserve that strength for its usefulness and for its profit. We feel that the trend is wrong. We are not asking for higher tariffs, we are asking to let them stay where they are long enough to have a really honest opportunity to see what the facts are.

Senator DOUGLAS. You are asking for more restrictive quotas, though.

Mr. HOOKER. In some cases, yes, where necessary in an emergency.

Senator DOUGLAS. If you can export your chemicals abroad and meet foreign competition abroad after paying the shipping costs, why are you afraid of competition here at home from abroad?

Mr. HOOKER. I think your statement—there are obvious exceptions to all statements, sir. I can only just give you my own experience in our company.

Immediately after the war representatives from Switzerland and from Italy and from France and from England, Germany, came to

my door, I live at Niagara Falls, and I opened the price book and said, "Well, we have so much of this," and they bought a great deal of our chemicals. That trade has dried up completely. There is none of it for us.

Senator DOUGLAS. What do you manufacture?

Mr. HOOKER. We manufacture caustic soda and chlorine; processed chemicals, and then we manufacture detergents, things that go into soap, and go into the manufacture of rayon, go into intermediates for dyestuffs, for bleaching textiles or for dyeing textiles.

We have a very substantial plastics division in our company.

Senator DOUGLAS. May I ask what your company is?

Mr. HOOKER. Hooker Chemical Corp.

Senator FREAR. You also manufacture paradichlorobenzene?

Mr. HOOKER. Yes, sir; we do. There is a product—and I may say, sir, if I may, partially in answer to you, Senator, the thing that bothers us, will you gentlemen excuse my back, I don't know quite how I can——

Senator FREAR. That is quite all right.

Mr. HOOKER. The thing that bothers us in the industry is that almost every week, perhaps every day, during the last 2 or 3 years one more product that we in the Hooker Co. have been making, or that somebody in Monsanto or in Du Pont or Dow has been making, has fallen by the wayside because we cannot make it and deliver it at the doorstep of the buyer for as little as our foreign competition is doing.

And it is just such attrition that we want to stop. We are still very healthy, as an industry—not right at the moment, we could stand a whale of a lot of orders, but we are not asking for a great deal of sympathy, sir, we are asking for understanding.

We are asking——

Senator DOUGLAS. You want something more substantial than sympathy, don't you?

Mr. HOOKER. Yes, sir.

Senator DOUGLAS. I mean sympathy is pleasant emotionally but it is not of much aid economically?

Mr. HOOKER. Yes, that is right.

We are just trying, if we can, to be let alone under present conditions long enough to see if under these conditions we can continue to exist as a——

Senator DOUGLAS. Are you afraid more of what may happen to you in the future than you feel injured by what has happened to you to date?

Mr. HOOKER. We know——

Senator DOUGLAS. Is it the future that you fear rather than the present?

Mr. HOOKER. It is the present—the present has not been extremely serious—it has been serious. You know to the fellow who has lost his job, it is a depression, but to his next-door neighbor, who is working—it is a recession. But some people have been seriously hurt.

In our case, because most of our things involve large freight charges, why we have not been so seriously hurt. But our problem, our immediate problem, is that a great many of our chemicals go to the companies who have been hurt, so we are losing our customers in this country.

Senator Douglas. Mr. Hooker, I do not want to prolong this too long, but in 1930 because such pleas as this and at a very similar time, because there was high unemployment then, we increased the tariffs and almost immediately in reprisal for our increase in tariffs the European nations increased theirs, and also began to impose quotas.

Now, aren't you somewhat afraid that if we were to impose quotas as you wish, and if the Tariff Commission were to impose quotas which you suggest, and, as you suggest, we made it relatively impossible for the President to overrule them, that the net result would be that the foreign countries would then begin to still further restrict the importation of American chemicals and that would hurt the American chemical industry more than you would be helping the chemical industry here by imposing quotas on goods coming from abroad?

That is, haven't you more to lose from a tariff or quota war than you have to gain and haven't you more to gain by getting the nations of the world to reduce tariffs and quotas than you have to lose?

Mr. Hooker. Sir, as we have said here, we are not opposed to a truly reciprocal trade agreement.

It is our feeling that as it has been administered the results have not been reciprocal for the chemical industry of the United States.

Senator Douglas. Can you back that feeling up with facts, sir?

Mr. Hooker. Well, no, I do not think just at this point I can back that up with statements that would be relevant here. But this is perhaps a high degree of emotion but I think there is a high degree of fact also that could be supported.

Senator Douglas, I would be very glad if you could produce the facts.

Mr. Hooker. I would be delighted to attempt to.

Senator Douglas. In a supplemental memorandum.

Mr. Hooker. To supplement that statement for the record, if you would like to have it.

Senator Douglas. May I ask if there is a representative of the State Department present?

I wonder if we could ask the State Department to submit a memorandum if they have not already done so, on the concessions which they believe they have obtained from foreign countries under the reciprocal trade agreements.

Senator Frear. Does the Senator from Illinois desire the Chairman to request such information?

Senator Douglas. I would like to have him do so if he can do so.

Senator Bennett. Is the Senator referring to chemicals specifically?

Senator Douglas. Not only chemicals but other commodities in general because the same charge comes up from time to time the reciprocal trade program is not reciprocal, that under it we make concessions but do not obtain corresponding concessions from other countries, and I would appreciate it very much if we could have a tabular presentation of the concessions which the State Department believes we have obtained from abroad together with the concessions which we have made, so that we can bring it out of the realm of emotion on either side into the field of fact.

Mr. HOOKER. I would rather, sir, have an opportunity to get some facts——

Senator DOUGLAS. Yes, I understand.

Mr. HOOKER (continuing). Than to try to give——

Senator DOUGLAS. I hope, Mr. Chairman, that Mr. Hooker will be free to submit such a memorandum and it will be printed in the record at the conclusion of his remarks this morning.

Mr. HOOKER. I would be very happy to do so if I have your permission.

Senator FREAR. You may do so.

(The information is as follows:)

SYNTHETIC ORGANIC CHEMICAL MANUFACTURERS ASSOCIATION
OF THE UNITED STATES,
New York, N. Y., July 2, 1958.

Re hearings, H. R. 12591.

Hon. HARRY F. BYRD,
Chairman, Senate Committee on Finance,
Senate Office Building, Washington, D. C.

DEAR MR. BYRD: In accordance with the request of Senator Douglas, made of Mr. R. W. Hooker, president of this association, at hearings on the above bill on June 27, 1958, there is enclosed a supplemental memorandum on behalf of the association pertaining to the point that the administration of the trade-agreements program has not been truly reciprocal insofar as the synthetic organic chemical industry is concerned.

Yours very truly,

S. STEWART GRAFF, Secretary.

SUPPLEMENTAL MEMORANDUM H. R. 12591, TO THE SENATE COMMITTEE ON FINANCE IN RESPONSE TO A REQUEST TO A REQUEST FROM SENATOR PAUL DOUGLAS, OF ILLINOIS

On June 27, 1958, Mr. R. W. Hooker, president of the Synthetic Organic Chemical Manufacturers Association, appeared before this committee and during his testimony was interrogated by Senator Douglas, of Illinois. In response to a question, Mr. Hooker stated, in effect, that the association is not opposed to a truly reciprocal trade-agreements program, but that it feels the administration of the present program has not produced reciprocal results for the organic chemical industry of the United States. Senator Douglas requested that this opinion be supported by a statement of facts (transcript, pp. 1266–1267).

The organic chemical industry of the United States has found it increasingly difficult to export many of its products. In some instances, foreign countries which formerly were export markets have practiced numerous devices to restrict organic chemical imports or to establish absolute embargoes. Many countries of the world, including the Soviet, are establishing or expanding their organic chemical industries. These efforts are governmentally encouraged to provide these nations with equipment and know-how, which is essential to the conduct of modern warfare of either an offensive or defensive character. Just as the United States after World War I deemed it a prudent national policy to foster and encourage the development of a strong organic chemical industry in the United States, today the United Kingdom, Soviet Russia, Italy, India, West Germany, and other nations are following the policy so vigorously suggested to the Congress by President Woodrow Wilson.

It is almost impossible to introduce certain synthetic organic chemicals and chemical products into Italian commerce. Aside from its conventional import-licensing system, which may be administered unequally, a wide variety of restrictive devices outside the field of tariffs are employed. For example, a completely effective embargo has been imposed in Italy barring the sale of certain American-made organic dyes and intermediates. In order to import these products into Italy it is necessary for the American exporter to disclose the complete chemical structural formula of each product. Such disclosure of unpatented information would reveal carefully guarded trade secrets to the private import-

ing party in Italy and also to Italian governmental officials. As a consequence, exportations of these chemicals to Italy have ceased.

Another example of a restrictive device is the practice followed in the United Kingdom of not granting import licenses for organic chemicals in instances where a similar product is produced in that nation; in other instances, the United Kingdom permits only token importations to supplement its own domestic productions.

Since the conclusion of World War II, foreign countries, particularly France and West Germany, have increased rather than decreased their tariff rates insofar as certain organic chemicals are concerned.

The Committee on Ways and Means of the House of Representatives, in reporting out H. R. 12591, proposed an amendment to existing law requiring the President to submit a report to the Congress of "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."

It is significant that the Ways and Means Committee found it necessary to direct the President to seek the removal of discriminatory restrictions against American exports. If the administration of the act over the past 23 years had resulted in the elimination of restrictions it would not have been necessary for the House of Representatives to incorporate this provision in H. R. 12591.

The association is aware of balance-of-payment difficulties of many foreign nations and of obstacles which must be overcome to achieve a substantial convertibility of currencies. Efforts of the United States to ameliorate these conditions have been attempted outside the administration of the trade-agreements program. Pertinent in this connection is the Ninth Report of the United States Tariff Commission, Operation of the Trade Agreements Program, July 1955 to June 156 (p. 231 et seq.).

"Of the 43 countries with which the United States had trade agreements in force during all or part of the period from July 1, 1955, to June 30, 1956, 27 *restrict imports for balance-of-payments reasons and discriminate between sources of supply.* There are 23 general-agreement countries in this group, as well as 4 countries with which the United States has trade agreements on a bilateral basis.

* * * * * * *

"Although the general agreement lays down the rules for the relaxation and final elimination of quantitative trade restrictions, *it is not intended to be an instrument for the solution of the basic problems that make such restrictions necessary. It therefore remains for other agencies to bring about such improvements in the internal economic and financial conditions of countries as will assist them to overcome their external economic and financial difficulties.* The reduction of tariffs under the general agreement, although a type of cooperative effort among countries for a particular purpose, does not in itself lead to cooperation in the use of financial aid from the United States or in the solution of such problems as the increasing of production and productive efficiency, improving the balance-of-payments position by increasing exports, combating inflation, and attaining a balanced external financial position that will permit currency convertibility. Solution of these problems has been the special responsibility of agencies that have no direct or necessary connection with the General Agreements on Tariffs and Trade, yet have worked toward the same general objectives as those sought by the general agreement. * * *

"Most of the countries with which the United States has trade agreements made additional progress during 1955–56 in overcoming their external financial difficulties. They continued to match this improvement by further relaxing quantitative trade controls and exchange restrictions originally imposed for balance-of-payments reasons. * * *

"*General tariff revisions by a few countries during 1955–56 and numerous upward adjustments in individual rates of duty by almost all countries reflected the general tendency*—noted in the Tariff Commission's last two reports—*for countries to increase the protective incidence of their tariffs as they progressively eliminate the more direct forms of trade control, such as quotas and import licensing.*" [Emphasis added.]

This memorandum is not intended to be comprehensive or all-inclusive support of the association's position that the administration of the trade-agreements program has not been truly reciprocal. The few instances cited are, however, in

accord with other similar data and additional examples of discrimination against the exportation of domestically produced synthetic organic chemicals can be made available. We believe, however, that further specifications are unnecessary, particularly in view of the limited time allowed us to file this memorandum for inclusion in the printed hearings.

Senator DOUGLAS. Did I understand the chairman requested the State Department to prepare such a memorandum?

Senator FREAR. Yes; the chairman of the committee will.

Senator DOUGLAS. I thank the chairman.

(The memorandum requested is as follows:)

TABLE I.—*Changes in tariff levels and in United States exports to countries with which trade agreements are now in effect*

Country	Tariff level [1]			United States exports (million dollars)		
	1937	1957	Percent change	1937	1953	1957 [2]
Argentina [3]	22.5	3.6	−84	94	104	283
Australia	29.5	9.6	−68	73	134	212
Austria	14.2	6.9	−58	3	60	66
Benelux and dependencies	(4)	4.3		245	631	1,127
Brazil	21.9	[5] 4.0	−82	68	294	482
Burma	(4)	[6] 24.7			7	8
Canada	13.0	[5] 10.2	−22	491	2,941	3,906
Ceylon	21.5	[5] 18.0	−16	2	7	13
Chile	25.0	[6] 27.9	+11	24	98	195
Cuba	(4)	10.5		91	426	618
Denmark	6.4	[6] 2.8	−56	17	39	88
Dominican Republic	(4)	20.2		6	48	74
El Salvador [3]	39.7	22.7	−43	4	37	50
Finland	18.5	15.4	−16	12	22	34
France and dependencies	21.9	[5] 6.9	−72	174	373	669
Germany	28.0	6.4	−77	123	356	954
Ghana	(4)	(4)		6	8	10
Greece	[6] 21.1	[5] 16.2	−23	6	50	86
Haiti	44.8	[5] 35.2	−21	4	29	24
Honduras [3]	28.8	[6] 22.8	−22	5	26	42
Iceland [3]	(4)	15.4		0	13	10
India (and Pakistan in 1937)	23.8	[5] 17.7	−26	44	153	438
Pakistan	(4)	[6] 23.0			99	115
Indonesia	(4)	[6] 19.2			104	109
Iran [3]	37.9	30.2	−20	5	22	83
Italy	11.5	[5] 8.4	−27	76	295	661
Japan	(4)	[5] 3.3		288	671	1,231
Malaya	(4)	(4)		9	31	43
New Zealand	16.0	[6] 9.3	−42	24	31	64
Nicaragua	16.4	23.9	+46	3	26	20
Norway	12.1	[6] 4.8	−60	22	65	86
Paraguay [3]	[10] 26.3	[5] 15.5	−40	1	7	11
Peru	16.2	[5] 10.7	−34	19	119	198
Rhodesia and Nyasaland		8.4			8	20
Sweden	8.9	[6] 5.8	−27	64	102	230
Switzerland [3]	16.1	5.9	−63	9	134	229
Turkey	33.0	[6] 17.0	−49	15	65	139
Union of South Africa	12.4	[6] 8.1	−35	58	207	266
United Kingdom and dependencies	4.1	2.3	−44	590	712	1,329
Uruguay	(4)	(4)		13	525	49
Venezuela [3]	23.0	12.5	−46	46	513	1,060
United States	15.6	5.9	−62			

[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] Preliminary.
[3] Bilateral agreement.
[4] Not available.
[5] 1956.
[6] 1953.
[7] 1938-39.
[8] 1954.
[9] 1955.
[10] 1941.

TABLE II.—*Examples of United States exports of products subject to trade agreement concessions*

The following statement presents specific examples of commodities on which the United States has obtained tariff concessions from foreign countries under the trade agreements program and in which United States exports to those countries have increased.

(In thousands of dollars)

	United States exports		
	1937	1953	1957
Argentina:			
Trucks and chassis	8,982	2,230	61,260
Office machinery	707	198	2,783
Unexposed movie film	194	183	262
Compressors (air or refrigeration)	190	1,832	848
Due to dwindling foreign exchange reserves during 1956 and 1957, Argentina took steps to divert imports of many items away from dollar sources of origin. Continuation of this policy in 1958 is foreseen in view of the adverse balance of payments situation with the United States.			
Australia:			
Tobacco	7,809	21,183	30,664
Cotton	477	3,000	11,264
Sawmill products	1,048	4,022	7,550
Australian restrictions on imports from the dollar area are applied on an administrative licensing basis, and have remained substantially unchanged since 1947.			
Austria: [1]			
Lemons			1,022
Metalworking machines	42	18	264
Calculating machines	86	128	196
Bookkeeping machines	49	98	248
60 percent of Austrian dollar imports have been liberalized.			
Benelux: [1]			
Oranges	[2] 5	7,739	18,827
Prunes	[2] 801	1,014	1,841
Carbon black	[2] 333	1,320	2,121
Typewriters and parts	[2] 1,844	24,311	37,749
Civilian airplanes	[2] 16,082	19,454	32,554
87 percent of Benelux dollar imports have been liberalized. In practice licenses for nonliberalized commodities are issued freely.			
Brazil: In accordance with a waiver granted by the contracting parties to the General Agreement on Tariffs and Trade, all tariff concessions made by Brazil to the other contracting parties were suspended as of Aug. 14, 1957, with the enactment of the new Brazilian tariff law, pending renegotiation of concessions. Quantitative restrictions are not used by Brazil to control imports. Availability of foreign exchange for imports is, however, controlled within the foreign exchange budget which is based on expected foreign exchange earnings. Weekly allocations of exchange are divided into 2 categories, 1 amount for specified essential imports such as petroleum, newsprint, etc., and another amount for nonpreferential imports.			
Burma:			
Condensed milk	.....	.....	1,268
Tractors and parts	[2] 35	321	628
Chemical specialties	[2] 8	268	537
Although Burma has found it necessary to restrict dollar licensing for private trade to only a few commercial items, there have been substantial imports on Government account of commodities for which Burma has given GATT trade concessions.			
Canada:			
Electrical machinery and apparatus	17,800	218,200	246,800
Iron and steel mill products	35,400	167,900	312,800
Industrial machinery	39,900	407,400	647,200
Cotton manufactures	6,900	65,700	71,100
Chemicals and related products	23,100	188,000	246,100
There are no restrictions on imports into Canada except for a few special cases such as certain agricultural products, butter substitutes, secondhand aircraft, etc.			
Ceylon:			
Tractors and parts	.....	449	1,445
Tobacco	302	850	926
Synthetic broad woven fabrics	.....	98	498
Malted milk	11	343	415
Industrial lubricating oils	84	221	319
In 1956 Ceylon considerably relaxed its import restrictions to permit increased imports from the United States. Many of the more essential items, such as agricultural machinery, drugs, typewriters, electrical machinery, etc., may be freely imported.			

See footnotes at end of table.

TABLE II.—*Examples of United States exports of products subject to trade agreement concessions*—Continued

[In thousands of dollars]

	United States exports		
	1957	1963	1967
Chile:			
Typewriters	187	236	679
Other office appliances	113	328	1,928
Textile machinery	112	976	1,621
Tractors	240	4,498	8,127
Construction, excavating, mining, and related machinery	1,184	16,980	22,872
Due to balance-of-payments difficulties, Chile has resorted in recent years to increased import surcharges to reduce imports.			
Cuba:			
Automobiles, trucks, buses, trailers, and parts	8,600	38,808	52,819
Lube oils	684	944	4,554
Rice	4,313	48,617	40,070
Wheat flour	6,241	8,402	9,164
Petroleum	1,379	8,148	11,807
Cuba does not maintain a general control over its import trade. Import permits are required on about 8 commodities. However, this imposition of license requirements was for administrative reasons and has had a negligible effect on Cuba's total imports from the United States.			
Denmark: [1]			
Canned fruit	2	15	[4] 65
Business machines	82	312	[4] 864
Refrigerators	7	4	[4] 61
66 percent of Danish dollar imports have been liberalized.			
Dominican Republic:			
Oatmeal, groats and rolled oats	40	152	210
Wheat flour	15	90	113
Fresh fruit	24	174	174
Canned peaches and pears	4	16	26
Tires and tubes	89	440	1,243
The Dominican Republic does not have exchange control and requires import licenses excepting on wheat and wheat flour, rice, fertilizers, radio transmission apparatus, and firearms. These controls are not designed to restrict imports.			
El Salvador:			
Tires and tubes	77	256	888
Canned asparagus, peas, corn, and tomatoes	7	82	150
Canned pork	5	40	69
Phonograph records	7	56	96
El Salvador has almost no quantitative restrictions on imports.			
Finland: [1]			
Industrial trucks and truck trailers	30	492	1,317
Motion pictures	79	180	201
Calculating machines and cash registers	220	171	456
Finnish imports from the United States are subject to license. However, automatic licensing is accorded to a substantial number of goods (46 percent of all dollar items by unofficial Finnish estimates).			
France:			
Machine tools	3,021	26,066	39,008
Carbon black	1,337	4,949	7,043
All imports into France are subject to license. Balance of payments difficulties and internal considerations such as the effect on price levels are reflected in the administrative case-to-case decisions.			
Germany:			
Fruit and vegetable juices	3	837	4,226
Airplanes and parts	129	.....	88,980
Trucks and passenger cars	286	313	1,514
Plastic condensation products	40	467	1,707
Cranes and fork-stacking machines	3	347	1,008
Tires and tubes	102	5	662
94 percent of German dollar imports have been liberalized.			
Ghana: Ghana was too recently formed as an autonomous state to demonstrate trade developments over a period of years. Imports into Ghana from the dollar area require an import license which must be justified by nonavailability in the sterling area and essentiality to the economy.			
Greece: [1]			
Cheese	.....	450	1,998
Powdered milk	1	115	889
Mineral oil and greases	6	1,588	1,824
Office machines	11	104	278
Patent medicines	14	289	606
Tires	220	1,287	1,854
More than 95 percent of Greece's trade has been freed from restrictions. Only a few luxury items and certain machines remain subject to import licensing.			

See footnotes at end of table.

TABLE II.—*Examples of United States exports of products subject to trade agreement concessions*—Continued

[In thousands of dollars]

	United States exports		
	1937	1953	1957
Haiti:			
Tires and tubes	53	266	243
Surgical dressings	11	73	69
Passenger cars	172	949	350
The low level of trade in 1957 was due to bad weather and serious political instability. There is no system of exchange controls in Haiti, and goods are not subject to import quotas. Import licenses are required only for a few items such as tobacco, firearms and ammunition.			
Honduras:			
Passenger cars, trucks and buses	93	2,772	3,012
Wheat flour	75	736	609
Canned fruit	7	32	81
Canned tomatoes, corn, peas, and asparagus	17	94	100
Canned meat	10	70	124
Cotton shirts	9	85	126
Cotton and jute bags	81	201	269
Honduras has no restrictions on imports.			
Iceland: [1]			
Lubricating oil	3	543	[4] 569
Typewriters	3	16	[4] 20
Oat grits		14	[4] 8
Soybean oil		99	[4] 68
Foreign exchange licenses are required for all imports and are presently granted sparingly due to low export earnings.			
India and Pakistan:			
Nonfat dry milk solids		449	11
Tobacco	1,580	2,860	5,295
Industrial lubricating oils	3,834	4,776	8,369
Air conditioning and refrigerating machinery	273	1,547	3,638
Tractors and parts	208	6,089	9,303
All imports into India are subject to quota limitations. In general, while India's policy has become more restrictive, discrimination against dollar goods in favor of soft-currency imports is being reduced.			
All private imports into Pakistan are subject to license. At present licenses are granted very sparingly.			
Indonesia: [1]			
Tobacco	526	9,541	[4] 10,142
Tires and tubes	92	420	[4] 2,226
Internal combustion engines	303	5,771	[4] 5,260
Motor buses and trucks	14	6,074	[4] 9,303
Wheat flour	6	3,248	[4] 4,685
No quantitative restrictions as such are maintained by Indonesia. However, all private imports are subject to prior licensing and at present licenses are severely curtailed.			
Iran:			
Lube oils and greases	25	164	1,666
Tires and tubes	655	2,610	8,812
Automobiles, buses, chassis, and parts	2,062	3,243	17,696
Pumps	84	189	636
Refrigeration and air-conditioning equipment	1	230	1,273
Tractors	12	467	3,241
For the last several years United States exports to Iran have been virtually unrestricted. An absolute prohibition which Iran maintains on a few items does not affect American trade.			
Italy: [1]			
Dried prunes	[3] 37	299	302
Lube oils	[3] 2,068	6,787	6,823
Millstones, grindstones, etc	[3] 60	184	275
Certain pumps and compressors	[3] 83	601	3,316
Air conditioning equipment	(5)	439	741
Punchboard machines		928	1,283
Italian dollar liberalization now amounts to about 71 percent in terms of imports from the United States in 1953. The license-free items account for about 80 percent of the value of our current exports to Italy.			
Japan:			
Card-punching machines	27	780	3,112
Raw cotton	61,724	114,668	215,194
Cash registers	24	30	1,691
Grinding machines	2,187	1,013	4,256
Antiknock compounds	(5)	3,063	4,182
All imports into Japan are subject to license. A complicated system of administration of the import controls makes it difficult to determine whether progress is being made toward liberalization. It seems probable that steps in this direction in 1955 and early 1956 were checked by the severe balance-of-payments deficit which developed in late 1956 and 1957.			

See footnotes at end of table.

TABLE II.—*Examples of United States exports of products subject to trade agreement concessions*—Continued

(In thousands of dollars)

	United States exports		
	1957	1963	1967
Malaya: The Federation is too newly established to show developing trade trends over the years. Import licenses are required for all products but many are on open general license. Discrimination against hard currency imports has relaxed very gradually over the years. A legal channel of import through Hong Kong at a premium of 5 to 15 percent affords opportunity for free import from the dollar area.			
New Zealand:			
Tobacco	1,182	4,650	5,059
Woodworking machinery	69	224	661
Office machinery and parts	347	720	825
Tractors and parts	2,225	4,631	6,233
Books and printed matter	207	340	687
From 1961 to 1957 import controls in New Zealand were gradually liberalized from the previous tight position resulting from balance of payments difficulties. However, renewed deterioration of the payments position resulted in a new import licensing schedule on Jan. 1, 1958 which generally intensified important restrictions.			
Nicaragua:			
Wheat flour	235	723	1,044
Paints, varnishes, and lacquers	33	417	431
Batteries	19	273	294
Evaporated and condensed milk	10	67	67
Quantitative import restrictions in Nicaragua are negligible. However, all imports are subject to import permits which are freely granted provided deposit requirements, where applicable, are met. Deposits, ranging from no deposit (essential items) to 100 percent of c. i. f. value (nonessentials) are required prior to issuance of the import permit.			
Norway: [1]			
Dried fruit	498	2,013	2,667
Tractors	116	1,635	1,904
85 percent of all imports (based on 1953 imports) from the dollar area have been liberalized.			
Paraguay:			
Passenger autos and buses	215	1,674	1,668
Automotive tractors and parts	0	270	692
Typewriters and parts	12	43	45
Coin counters, cash registers, calculating and bookkeeping machines	5	67	82
In August of 1957 Paraguay abandoned its complicated multiple foreign exchange rate system and established afree import and export market. Trade is now carried on without restriction of any kind.			
Peru:			
Automobiles, trucks, buses, and parts	3,319	18,772	20,947
Tinplate	600	1,221	2,450
Iron and steel pipe	400	2,782	3,820
Sawmill products	1,007	2,134	3,632
Textile machinery and parts	67	926	1,078
Pneumatic portable tools	15	17	113
There are no restrictions on imports into Peru except a quota limitation on automobiles.			
Rhodesia and Nyasaland: The Federation has not been in existence long enough to demonstrate marked trends in United States trade. All imports from the United States are subject to license. A few commodities such as wheat and automobiles are subject to quota restrictions. Imports of another long list of items, mainly luxury goods, are prohibited. All other items are on open general license and licenses are automatically granted.			
Sweden: [1]			
Canned fruit and juices	125	422	[4] 4,255
Passenger cars and parts	8,768	11,501	[4] 19,908
Lube oils	1,152	1,822	[4] 4,494
Dried fruits	1,757	2,331	[4] 4,674
70 percent of dollar imports enter Sweden without license.			
Switzerland:			
Canned shrimp	.....	33	66
Chewing gum	6	128	200
With a few exceptions, all Swiss imports from all countries are free of restriction. There is no discrimination against the United States in granting licenses for the few restricted groups.			
Turkey:			
Tractors	140	1,311	1,388
Industrial machinery	806	15,606	25,207
Lub oils	331	2,360	3,408
All imports from all sources are subject to license and exchange controls, which are presently applied on a very restrictive basis.			

See footnotes at end of table.

TABLE II.—*Examples of United States exports of products subject to trade agreement concessions*—Continued

[In thousands of dollars]

	United States exports		
	1937	1953	1957
Union of South Africa:			
Industrial sewing machines and parts	78	618	910
Air compressors	412	677	1,307
Insecticide sprayers	45	127	147
Safety razor blades	4	4	75
Welding torch sets and parts	84	107	181
Since 1949 a system of import controls has limited imports into the Union of South Africa. For balance of payments reasons, dollar imports were restricted in favor of sterling imports but beginning in 1954 currency discrimination was abolished and a policy of "selective relaxation of import controls" was introduced.			
United Kingdom:			
Wheat	6,930	29,436	48,815
Soybeans	19	3,076	9,535
Hose, artificial silk	4	124	208
Aircraft and parts	1,729	.....	14,768
Bookbinding machinery	157	357	980
Over 80 percent of United Kingdom imports from the dollar area have been liberalized.			
Uruguay:			
Tobacco	114	1,884	2,999
Combines and harvesters	217	529	597
Refrigeration equipment	219	445	462
Automobiles, buses, trucks, and parts	3,418	4,371	6,482
Tractors	493	1,556	1,730
Uruguay has had increasing balance of payments difficulties which in August of 1957 closed the foreign exchange market for several weeks. In November the Bank of the Republic announced that dollar exchange could be made available only for essential imports not obtainable in soft currency areas. Priority treatment is given imports from soft currency areas with which Uruguay has bilateral trade and/or payments agreements in effect, and with which it has favorable trade balances.			
Venezuela:			
Wheat flour	1,579	9,168	12,143
Copper wire	296	2,694	4,623
Cigarettes	105	5,412	9,682
Automobiles, trucks, buses, and trailers	7,872	66,499	112,146
Electric refrigerators, household	408	4,583	7,825
Office machines and parts	886	2,600	3,120
Venezuela imposes few quantitative restrictions on or prohibition of imports of industrial products. Total or partial exemption from duties is granted on many items which go toward development of industrial and mining capacity. A few agricultural items are subject to license and quota restrictions.			

[1] Trade data shown for this country are imports into the country rather than United States exports.
[2] Data for 1948.
[3] Data for 1938.
[4] Data for 1956.
[5] Not available.

TABLE III.—*Illustrative list of concession items with value of United States imports in 1953 and 1957*

Item	Schedule A No. (1957)	Imports in $1,000	
		1953	1957
Schedule 1, chemicals, oils, and paints:			
Ethyl alcohol (nonbeverage)	9231.200	1,416	425
Calcium carbide	9247.100	344	221
Acetanilide	9040.100	1,947	3,739
Azo and fast color salts	9040.720	182	922
Fast color bases	9040.740	260	376
Textile assistants and derivatives	9040.760	184	345
Naphthol AS and derivatives	9040.770	577	937
Coal-tar colors, dyes, and stains, not elsewhere specified	9060.200	6,202	7,001
Coal-tar medicinals not specifically provided for	9070.900	2,261	7,899
Menthol:			
Natural	8127.100	1,389	2,616
Synthetic	8127.200	106	429
Trichloroethylene	8170.180	1,552	2,997
Vinyl acetate, unpolymerized	8170.570	4,930	5,067
Acetic anhydride	8220.040	none	759
Glycerine, crude	8290.000	3,792	4,720
Schedule 2, earths, earthenware, and glassware:			
Mica films and splittings:			
Not over 0.0012 inch	5561.700	4,042	3,872
Over 0.0012 inch	5561.800	5,070	2,559
Magnesite, dead-burned	5722.000	2,468	4,032
Marble and breccia block	5080.300	791	1,163
Marble monuments, etc.	5090.320	1,038	2,425
Sheet glass, over 26 ounces, square feet, over 2,400 square inches	5200.820	572	1,690
Laminated glass	5250.200	222	493
Household china, 25 percent or more calcined bone, decorated	5350.020	2,957	2,502
Household earthenware, decorated, specified sizes and values	5370.210	2,687	3,512
Schedule 3, metals and manufactures of—			
Pig iron, no alloy, over 0.04 percent phosphorus	6003.300	22,507	12,094
Steel wire rope	6068.000	1,143	5,279
Enameled oralazed household utensils	6141.000	790	1,400
Aluminum household and hospital ware	6304.000	3,747	3,496
Ferrotungsten	6223.700	1,687	674
Babbitt metal and solder	6508.100	1,057	1,368
Zinc ores	6557.000	49,725	80,075
Printing presses	7800.200	5,509	10,979
Motorcycles	7940.100	3,708	12,578
Pleasure boats not over $15,000	7925.150	1,997	4,393
Sewing machines $10 to $75 each	7560.300	20,295	28,298
Transformers and parts	7090.010	1,033	4,214
Radio apparatus and parts	7000 060	3,208	15,926
Schedule 4, wood and manufactures of—			
Douglas-fir lumber, dressed	4104.020	31,676	45,666
Birch and maple veneer	4209.600	8,830	9,792
Bamboo baskets and bags	4221.000	975	517
Frames, picture and mirror	4280.410	347	454
Schedule 5, sugar, molasses, and manufactures of—			
Cane sugar, 100°	1610.009	47,866	51,928
Inedible molasses	1640.000	23,564	25,196
Maple sugar	1651.000	3,539	2,228
Honey	1654.800	859	809
Schedule 6, tobacco and manufactures of—			
Tobacco leaf for cigars:			
Wrapper, unstemmed	2001.000	4,198	3,204
Filler, stemmed	2004.000	14,579	12,755
Cigars and cheroots	2621.000	2,800	3,660
Schedule 7, agricultural products and provisions:			
Brazil nuts, shelled	1256.000	3,534	4,399
Cantaloups	1230.410	789	2,325
Cocoa butter	1420.000	2,456	7,851
Beans, dry, ripe	1192.200 1192.900	1,388	767
Veal, fresh, chilled or frozen	0019.000	153	1,415
Mackerel, fresh	0054.300	208	500
Halibut and salmon, filleted, fresh or frozen	0060.350	(1)	1,606
Canned sardines, not in oil	0087.760	3,551	576
Schedule 8, spirits, wines, and other beverages:			
Brandy, in containers 1 gallon or less	1711.300	5,139	8,208
Gin	1712.400	581	2,275
Vermouth, in containers 1 gallon or less	1722.110	5,490	7,632
Malt liquors	1770.810	7,152	11,374
Lime juice	1770.110	160	420

See footnote at end of table

TABLE III.—*Illustrative list of concession items with value of United States imports in 1953 and 1957*—Continued

Item	Schedule A No. (1957)	Imports in $1,000	
		1953	1957
Schedule 9, cotton manufactures:			
Unbleached cotton cloth	3040.001–3047.999	6,040	7,808
Cotton handkerchiefs, bleached hemmed or hemstitched	3140.001–3147.999	103	1,823
Cotton hand-hooked rugs	3224.000	4,531	1,907
Schedule 10, flax, hemp, jute, and manufactures of:			
Jute bagging, gunny cloth, 15 32 ounce per square yard	3246.000	4,222	8,061
Flax table damask and manufactures:			
Not over 130 threads per inch	3280.400	283	836
Over 130 threads per inch	3280.600	1,618	1,166
Manila cordage:			
Not under ¾ inch diameter	3417.095	510	838
Under ¾ inch diameter	3417.195	400	433
Cords and twines of hard fiber not elsewhere specified	3417.500	3,653	4,079
Schedule 11, wool and manufactures of:			
Wool 60s and finer not elsewhere specified:			
Greasy or washed	3523.030	n. a.	30,028
Scoured	3523.500	n. a.	12,873
Wool noils, not carbonized	3550.000	18,088	24,139
Wool fabrics, not pile, over $1 per pound:			
6 to 8 ounces per square yard	3908.430	13,993	12,261
8 to 10 ounces per square yard	3908.440	2,600	2,396
Outerwear knit or crocheted, not specifically provided for, over $3 per pound	3937.840–3937.860	14,145	23,740
Schedule 12, silk manufactures:			
Silk yarn, piled, not dyed	3703.000	511	639
Silk fabrics, colored, over $3.50 per pound:			
Not Jacquard figured, not over 30 inches	3708.680	3,292	2,295
Jacquard figured, not over 30 inches	3709.680	897	2,011
Jacquard figured, over 30 inches	3711.720	503	1,497
Silk handkerchiefs, hemmed, over $3 per dozen each	3743.900	1,527	1,177
Schedule 13, manufactures of rayon or other synthetic textiles:			
Synthetic fabrics, in piece, not specifically provided for	3830.000	2,296	5,332
Synthetic pile ribbons	3830.200	1,155	1,552
Synthetic outerwear, not knit or crocheted, not specifically provided for	3840.160	389	II 2,380
Schedule 14, papers and books:			
Uncoated book and printing paper not specifically provided for	4712.400	6,099	6,103
Manufactures of papier mache not specifically provided for	4786.000	441	1,046
Etchings, photographs and drawings	9510.310	572	650
Printed matter not specifically provided for, foreign authorship	9510.490	724	1,406
Schedule 15, sundries:			
Shoes, leather, mens' and boys', welt	0350.700	4,085	7,108
Handbags, women's leather, except reptile	0092.900	2,120	5,422
Rubber tires, automobile, motorcycle, truck, and bus	2022.000	3,141	9,250
Rubber boots	2031.000	309	1,555
Cotton handkerchiefs, machine-made lace, over 70 cents a dozen	3160.920–3160.940	3,197	4,173
Cotton laces, full gage, 12 points or finer, independent beams	3168.100	2,773	2,582
Artificial flowers of threads, lame, synthetics, etc	3965.100	2,989	4,426
Asbestos shingles, siding etc. not impregnated, decorated, etc	5520.020	164	2,547
Emeralds, cut, not set	5935.000	321	1,595
Gold or platinum jewelry and parts	6835.200	788	2,138
Percussion caps	8621.500	1,809	266
Motion picture cameras	9001.000	580	2,150
Clarinets	9213.200	1,370	2,166
Piano accordions, with 120 or more bass keys	9214.400	3,497	5,152
Music boxes and parts not specifically provided for	9215.100	2,839	3,010
Dolls, not specifically provided for	9400.700	333	488
Toy stuffed animals, no spring mechanism, not elsewhere specified	9410.870	162	643
Fish hooks, not specifically provided for	9420.550	894	893
Ice skates	9439.650	218	1,678
Beaded handbags, ornamented	9703.400	141	310
Hair pencils (including artists')	9715.000	789	1,089
Glass buttons	9730.040	1,058	873
Friction matches, boxed under 100	9770.000	1,301	860
Brier pipes, over $5 doren	9800.190	567	741
Umbrellas, not paper	9820.000	335	1,585
Candles	9850.110	165	484

TABLE III.—*Illustrative list of concession items with value of United States imports in 1953 and 1957*—Continued

Item	Schedule A No. (1957)	Imports in $1,000	
		1953	1957
Free list taxable:			
Sesame seed	2234.000	1,254	2,376
Cedar siding	4110.000	10,728	6,124
Coke	5008.000	1,715	1,544
Petroleum, crude, under 25°	5052.100	66,388	194,761
Petroleum asphalt, liquid	5078.100	145	6,852
Persian lamb and caracul fur, undressed	0711.200	20,490	21,272
Bananas	1301.000	67,177	69,818
Tapioca and cassava	1228.000	5,670	7,899
Cocoa or cacao beans	1501.200	107,275	124,705
Tea, not specifically provided for	1521.000	47,107	50,616
Jute, unmanufactured	3241.000	14,676	14,343
Abaca or Manila fiber	3402.000	23,379	17,744
Binding twine	3411.000	7,939	4,331
Raw silk in skeins	3702.000	25,990	24,035
Mahogany logs	4031.000	7,030	3,606
Pulpwood, rough, spruce	4100.000	7,460	5,371
Wood pulp, sulfite, unbleached	4902.000	41,193	33,668
Christmas trees, evergreen	4090.200	4,802	6,256
Plows and cultivators	7960.000	4,495	3,951
Typewriters	7785.000	4,596	16,955
Diamonds, rough or uncut, gem quality	5600.000	57,011	77,142
Tin bars, blocks, pigs, etc	6550.000	178,858	121,311
Cobalt metal	6661.000	33,235	32,559
Chrome ore:			
Chemical grade	6213.100	2,230	3,535
Metallurgical grade	6213.300	44,943	42,004
Refractory grade	6213.500	8,668	10,122
Beryllium ore	6270.000	3,581	2,526
Nickel ore and matter	6540.000	5,794	5,202
Ammonium sulfate (fertilizer)	5500.000	22,778	5,920
Creosote oil	5001.000	9,520	5,908
Benzene	5010.030	7,408	14,516
Cresols and cresylic acid, crude	5010.090	1,178	1,475
Naphthalene	5010.060	2,852	4,166
Iodine, crude	5300.000	1,606	2,769
Sodium sulfate, crude (salt cake)	5335.000	875	1,450
Sodium cyanide	5339.000	6,562	5,641
Furfural	5390.640	(1)	3,196

1 Not available.

Senator FREAR. Senator Williams?

Senator Malone?

Senator MALONE. Could the chairman make a further request from the State Department to furnish the lists of commodities included in all bilateral and multilateral trade agreements, just a list of all sparate commodities?

Senator FREAR. I am sure the chairman of the full committee would extend the same courtesy to you as he did to the Senator from Illinois.

Senator MALONE. The quicker we could get it the better we could question some other witnesses on it.

(The bilateral and multilateral trade agreements previously filed with the committee at the request of Senator Malone (see p. 45) list the commodities on which the United States has granted concessions.)

Senator MALONE. I am very much interested in your testimony and also some of your answers on cross-examination.

Where is your headquarters?

Mr. HOOKER. Niagara Falls, N. Y.

Senator MALONE. And the Synthetic Organic Manufacturers?

Mr. HOOKER. The headquarters of that organization is in New York City.

Senator MALONE. It is? Your own company is in Niagara Falls?

Mr. HOOKER. Yes; my own company.

Senator MALONE. How many companies are included in this Synthetic Organic Chemical Manufacturers Association?

Mr. HOOKER. I think 95.

Senator MALONE. Substantially all of the companies?

Mr. HOOKER. Yes. Virtually—not all of the chemical companies, there are some who are not synthetic or organic chemical manufacturers but it is the great overwhelming bulk of the chemical industry of the country.

Senator FREAR. It produces about 90 percent of the total output of the synthetic organic chemicals?

Mr. HOOKER. Yes, sir.

Senator MALONE. You have a very interesting statement. There are 237,000 employees located in 766 different establishments in 42 of the 48 States.

Mr. HOOKER. Yes, sir.

And a payroll of over a billion dollars as I say there, too.

Senator MALONE. Yes.

It is a very important industry. I heard you say, in answer to a question, that you were not asking for any higher tariffs.

Mr. HOOKER. No, sir; we are not.

Senator MALONE. Do you understand this 1934 Trade Agreements Act in its final objectives?

Mr. HOOKER. This, in all modesty, I probably should say "No." I probably should say "No." I have tried to understand it, sir.

Senator MALONE. I think that could apply to all of us, because we all find unsuspected things the more we study it and I have tried to study it for 12 years here.

What is the ultimate result of the principle laid down in the act?

What do you think could be the ultimate result?

First it was a 50-percent reduction, then another 50 percent, then 15 percent at 5 percent a year.

Now it is an additional 25 percent. That would be of what was left each time?

Mr. HOOKER. It is just attrition, sir. It is the gradual wearing down of the chemical industry which has been built up and which has made a magnificent, and we think, a truly magnificent contribution and is making a contribution to the country.

Senator MALONE. I agree with you.

I was in that First World War with a battery of field artillery over in France when we did not have any chemicals here at all.

Mr. HOOKER. That is right.

Senator MALONE. I do remember what you said, that it was concluded by the powers that be that that should never happen again.

But isn't it on the way to happening?

Mr. HOOKER. This is our fear, sir, this is why we are fighting to keep life in the body; it is much more fun to breathe than it is to——

Senator MALONE. Of course to me the terrible thing that has happened to the Congress of the United States, is that they would adopt

a policy of only defending an industry that is necessary for national defense. That immediately puts every businessman's head on the block that cannot show that his product is important to national defense and, even if it is important to national defense, he has to show serious injury.

That is true, is it not?

Mr. HOOKER. That is quite right.

Senator MALONE. By the time you can show a serious injury to an industry, sometimes it is too late to apply any remedy, isn't it?

Mr. HOOKER. That is our fear; yes, sir. That by the time you can show serious injury that you may have lost your ability to survive.

Senator MALONE. I think that is like a man having tuberculosis that could not be treated until he could show that he was about to die——

Mr. HOOKER. That is right.

Senator MALONE. Sometimes that might be too late.

Mr. HOOKER. That is right, sir.

This is our fear.

Senator MALONE. In 1934 at the time of the passage of this act, wasn't that he first time any such policy of theory was ever adopted by the United States?

Mr. HOOKER. To the best of my knowledge.

Senator MALONE. Wasn't it this country's policy for almost 150 years, from the time of the first Tariff Act in 1789 until 1934, to simply protect the workingmen and the investors in this Nation—up to the point, at least, of the differential in the cost of production here and in the chief competing nation?

Mr. HOOKER. That is my understanding, and I am fully aware of the fact—I cannot say that I have completely read your very fine volume on this subject but I have read enough of it to know you have become a very real student of the subject.

Senator MALONE. That was my first effort but I just could not, I cannot yet, understand how you get the American people in a frame of mind that when a business starts to make money you must destroy it.

Mr. HOOKER. This is our plea.

Senator MALONE. I know and you should not have to appeal to Senators to stay alive another 6 months. We should have a policy.

Now, how can you invest money in any business that can be destroyed overnight by an Executive order from Washington?

On what theory would you invest it in the first place?

Mr. HOOKER. It just would not happen, sir.

I mean banks won't give it, individuals won't give it, as soon as this becomes apparent or possible.

That form of investment capital will disappear.

Senator MALONE. Well, isn't it apparent now?

Mr. HOOKER. Yes; sure.

Senator MALONE. Well, you know that Secretary Dulles testified here on Saturday that the President could trade a part or all of any industry to further his foreign policy, if he, in his judgment, thought it would help the overall position of the United States and his foreign policy.

Mr. HOOKER. I know he did. I read it with fear and trepidation, sir.

Senator MALONE. Well, he testified 3 years ago to the same thing under my questioning just as he did on Saturday.

He also testified, and so did Secretary Weeks, by the way, and you probably know Secretary Weeks in business.

Mr. HOOKER. Yes, sir.

Senator MALONE. A very successful businessman before coming down here to Washington.

You probably also know then that both of them testified that the 36 foreign competitive nations, every one of them a member of the Geneva setup, that they make these agreements or general agreements on tariffs and trade, containing a multitude of products, several thousand?

Mr. HOOKER. Yes, sir.

Senator MALONE. And Mr. Dulles also testified that neither the businessmen of the country nor the Senators and Representatives were allowed to find out what was going to be bargained away. They were not informed until after it was signed, sealed, and delivered.

You know that?

Mr. HOOKER. Yes, sir; I hoped that some of these suggested revisions will protect us as manufacturers in having——

Senator MALONE. I hope they will. But I think I have news for you, as long as the constitutional responsibility of Congress to regulate foreign trade and adjust the duties, excises, and imposts, remains in the hands of an executive, who may trade those industries at will if he believes the overall result will be good, I think you are going to be in just the same position regardless of any amendments.

I read some of your testimony here; unfortunately I had another committee meeting.

Mr. HOOKER. We feel this should be taken away from the President. We should not rely on the judgment of one man who cannot possibly be an expert. He may well be an expert in what is an emergency national interest, but he cannot be an expert in all of the products of industry, and their relation to our economy, and our international welfare.

We do think that the Federal Trade Commission, because of its long experience and constant attention to these matters——

Senator WILLIAMS. You mean the Tariff Commission?

Mr. HOOKER. The Tariff Commission, I meant to say.

I misspoke myself. The Tariff Commission, because of its long attention to these matters, is more expert and that their advice should be sought and substantially relied upon unless the President, for reasons which he may know and which may not be known publicly or can be given proper cognizance by the Tariff Commission, wants to overrule them.

Senator MALONE. That is what you have in this act.

In other words, he can overrule it and does overrule it.

Mr. HOOKER. We think that the Congress should have the right to change that so that the Congress has the control rather than the President.

Senator MALONE. I am afraid you are for the Constitution of the United States.

Mr. HOOKER. Yes, I am, sir.

Senator FREAR. Does that jeopardize our time by that statement; does it?

Senator MALONE. I don't know anything about the time. I know that you have got something here you are trying to force through here without any proper questioning and I think maybe you are going to do it.

Maybe you are going to regret it afterward.

I would like to ask a couple of more questions.

Senator FREAR. Surely.

Senator MALONE. That is what the Constitution of the United States says.

Mr. HOOKER. Yes, sir.

Senator MALONE. That Congress shall regulate foreign trade and adjust the duties, excises, and imposts that we call tariffs?

Mr. HOOKER. Yes, sir.

Senator MALONE. Article I, section 8.

But this Congress in its wisdom, passed an act, in 1934, and have extended it 10 times, that washed their hands of that constitutional responsibility and put it in the hands of an Executive. The Constitution has already put in the hands of the Executive the responsibility of fixing foreign policy.

The Constitution pointedly separates the two and Congress tied them together again under the Executive, and he does this without any reference to Congress whatsoever.

Mr. HOOKER. That is right. It is our hope, sir, that Congress will take back the constitutional powers which were presented to them back in 1789.

Senator MALONE. All you have to do is sit still and let this act expire and you would have it.

Mr. HOOKER. That would suit me fine.

Senator MALONE. If we let that act expire then do you understand that the procedure is to go right back to the 1930 Tariff Act under which the Tariff Commission adjusts the tariffs on what you might call a basis of fair and reasonable competition. They adjust that flexible tariff on each product at all times either on their own motion, or request of the President or Congress or consumer or producer, to equal substantially that difference between the cost of producing an article here—not the high cost or low cost, but the reasonable cost—and producing that same article or a like article in the chief competing foreign country and that is their tariff.

Mr. HOOKER. That is right.

Senator MALONE. That is what you want, isn't it?

Mr. HOOKER. That is right; yes.

Senator MALONE. And that is a principle upon which you can go to a bank and borrow money; is it not?

Mr. HOOKER. I agree with you thoroughly, sir.

Senator MALONE. And you cannot borrow money under the current conditions at all.

Mr. HOOKER. It becomes increasingly difficult.

Senator MALONE. Some of these chemical companies—I do not remember the names of them, we have 3 or 4 chemical or electrochemical companies in Henderson, Nev.——

Mr. HOOKER. Yes, sir—Stauffer.

Senator MALONE. Yes; and they are slowly going out of business. They laid off 500 men in the titanium industry last year because we imported more titanium, that new high-ratio weight-strength heat-resistant metal, from Japan where they paid 22 cents an hour for labor, as against what they paid in Henderson, than was produced at the Henderson plant which formerly produced half of our domestic consumption.

Mr. HOOKER. Yes, sir.

Senator MALONE. Half of it was produced in New Jersey by Du Pont?

I have not talked to any of them but I expect they may take care of them, too. The boys down in Henderson just could not understand. They had nice houses that they are paying for and they thought everything was all right and suddenly they are on the street——

Mr. HOOKER. Yes, sir.

Senator MALONE. And they are in the same condition all over the United States; 6 million of them.

Mr. HOOKER. That is right.

Senator MALONE. What happens if we don't extend this act and it dies on midnight of June 30?

After 60 days' notice to the Secretary-General of the United Nations any product under a multilateral agreement would revert to the Tariff Commission, an agent of Congress, and the tariff could be regulated flexibly on the basis we just explained.

Upon 6 month's notice to the nations with which we have bilateral trade agreements made by the Secretary of State, those products would revert to the Tariff Commission on the statutory rate to be regulated in the same manner.

You understand that?

Mr. HOOKER. Yes, sir.

Senator MALONE. In my opinion there is no amendment that is going to help you people, if we leave it in the hands of the White House, at the discretion of one man, no matter who he is—Roosevelt, Truman, Eisenhower, or anybody else—because it is not done on any principle.

There is no principle attached to it at all except one man's opinion that it will help the United States in the future sometime.

How anybody could vote for it I could never understand.

Mr. HOOKER. We agree with that, sir, with the possible exception that that one man, the President, because of his peculiar position might possibly be in possession of knowledge that affected the Nation's interests, that would justify him in making a decision, but that decision should clearly be tempered by all of the recommendations that the experts in the Tariff Commission should make and it should be possible for the Congress to tell that one man that he is wrong.

Senator MALONE. Well, the Constitution of the United States says that the President of the United States shall tell the Congress the state of the Nation every year——

Mr. HOOKER. Yes.

Senator MALONE. And he can come up specially any time he thinks he has some information that we ought to have and Congress can act and it does act——

Mr. HOOKER. Yes, sir.

And we think it should act in this area more often.

Senator MALONE. But the President and Congress said to chemicals, "You should never be in that position," but you are in it.

Mr. HOOKER. We certainly are.

Senator MALONE. Now I will tell you what some of the chemical companies have told me who have quit and are going to quit. They are going to put their money in Germany and other foreign nations. They said they did not want to do it; they told me that.

Mr. HOOKER. That is the distressing feature, sir, that so many of the chemical companies are putting their plants, making their investments, in foreign countries, and bringing their chemicals into this country.

Senator MALONE. Who is to blame?

It is the Congress, is it not?

Mr. HOOKER. Sure it is the Congress.

Senator MALONE. All right.

It is not your fault, if you have to do that, Mr. Hooker.

Mr. HOOKER. No, sir.

Senator MALONE. In order to survive?

Mr. HOOKER. That is right.

Senator MALONE. But it is our fault for making that necessary for you to survive as a chemical company.

Mr. HOOKER. I believe that is a correct statement, sir.

Senator MALONE. Now all foreign nations understand the effect of shading a tariff or shading a subsidy or something because most of them have lived by their wits for 300 years.

Mr. HOOKER. Yes, sir.

Senator MALONE. England thoroughly understands it, France understands it, Belgium understands it.

We don't understand it. That when you have a tariff on anything that makes the difference in the costs of production then there is no advantage in putting your plant in another country and your investments stay at home.

Mr. HOOKER. That is right.

Senator MALONE. But when our tariff is lower so that there is no protection and they protect their industries, which they do——

Mr. HOOKER. They certainly do, sir.

Senator MALONE. We are the only free-trade nation in the whole world. Every other one of them has manipulation of their currency for trade advantage in terms of the dollar, or they have quotas or they have import permits or exchange permits, or all four.

Mr. HOOKER. Yes, sir.

Senator MALONE. And they do not live up to their part of the trade agreements, just as the rules of GATT say they need not do——

Mr. HOOKER. That is right.

Senator MALONE. Therefore, for a company or an individual to make any profit and to get their market they must go there to produce.

Mr. HOOKER. Yes, sir.

Senator MALONE. And then, in doing that, can get our market under the free trade.

Now, anybody who does not understand that should not be in this body and if he understands that and votes for it, I do not understand it.

Mr. HOOKER. Well, we do not either, sir.

Senator MALONE. So that is the only thing I really have to say about it.

I liked your testimony and I think you know what you are talking about and you are in a very important industry.

Mr. HOOKER. Thank you, sir.

Senator MALONE. And all I will say in closing is it remains to be seen what Congress will do.

If they do extend this act, I think we will have a special session before the first of the year because unemployment will be such that you just cannot stand it in this country.

Mr. HOOKER. If so, I should like the privilege of addressing this body again, sir.

Senator MALONE. You certainly may as far as I am concerned. That is all.

(The documents referred to are as follow:)

THE PURPOSE OF AMENDMENT (A)

Amendment (A) to H. R. 12591 would extend the act for a period of 2 years and retain the authority in the President to modify rates of duty during this 2-year period. The formula utilized is essentially that which was enacted by the Congress in the Trade Agreements Extension Act of 1955, modified to fit the 2-year extension period.

PROPOSED AMENDMENT (A) TO H. R. 12591

On page 1, line 9, strike out "1963" and insert in lieu thereof "1960".

On page 2, beginning with line 3, strike out through line 6, on page 6, and insert in lieu thereof the following:

"(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 to read as follows:

"(D) In order to carry out a foreign trade agreement entered into by the President on or after July 1, 1958, and before July 1, 1960, decreasing (except as provided in subparagraph (C) of this paragraph) any rate of duty below the lowest of the following rates:

"(i) The rate 10 per centum below the rate existing on July 1, 1958.

"(ii) In the case of any article subject to an ad valorem rate of duty above 50 per centum (or a combination of ad valorem rates aggregating more than 50 per centum), the rate 50 per centum ad valorem (or a combination of ad valorem rates aggregrating 50 percentum). In the case of any article subject to a specific rate of duty (or a combination of rates including a specific rate) the ad valorem equivalent of which has been determined by the President to have been above 50 per centum during a period determined by the President to be a representative period, the rate 50 per centum ad valorem or the rate (or a combination of rates), however stated, the ad valorem equivalent of which the President determines would have been 50 per centum during such period. The standards of valuation contained in section 402 or 402 (a) of this Act (as in effect, with respect to the article concerned, during the representative period) shall be utilized by the President, to the maximum extent he finds such utilization practicable, in making the determinations under the preceding sentence.

"(3) Paragraph (3) (B) (i) is amended to read as follows:

"(i) if the total amount of the decrease under the foreign trade agreement does not exceed 10 per centum of the rate existing on July 1, 1958, the amount of decrease becoming initially effective at one time shall not exceed 5 per centum of the rate existing on July 1, 1958;

"(4) Paragraph (3) (B) (ii) is amended to read as follows:

"(ii) except as provided in clause (i), not more than one-half of the total amount of the decrease under the foreign trade agreement shall become initially effective at one time;

"(5) Paragraph (3) (C) is amended to read as follows:

"(C) No part of any decrease in duty to which the alternative specified in paragraph (2) (D) (i) of this subsection applies shall become initially effective after the expiration of the two-year period which begins on July 1, 1958. If any part of such decrease has become effective, then for purposes of this subparagraph 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 two-year period expires."

THE PURPOSE OF AMENDMENT (B)

A purpose of the amendment is to permit interested parties to make representations to the appropriate agencies of the Government concerning products on the list transmitted by the President. In the past industry sometimes has been compelled to guess which chemical products are intended to be the subject of negotiation, since many provisions of the chemical schedule of the tariff act provide for classes of chemicals rather than listing hundreds of specific chemicals by name. There are thousands of organic chemical products which are now or are likely to be articles of commerce. Members of the industry may be unaware that a reduction in duty is contemplated on specific products which they manufacture. On the other hand, members of the industry are put to needless expenditures of time and money investigating chemical lists to find later that specific products in which they are vitally interested are not intended to be the subject of trade agreement negotiations.

This difficulty could be simply resolved by a statutory requirement that the list of articles indicate the commercial name or designation, as well as the paragraph or other provision of the tariff act under which each such article is classified for duty.

Another purpose of the amendment is to utilize the long experience and expert knowledge of the Tariff Commission to assist the President in the important task of preparing for negotiations of a foreign trade agreement. The amending language does not take away from the President the initiative of sponsoring trade agreements but places at his disposal all of the material concerning the volume of domestic production, prices and other data which has been carefully prepared over a period of many years by the Commission; the Commission also, over a period of many years has acquainted itself with economic conditions in foreign countries and regularly receives reports from the Departments of State, Commerce, and other executive agencies which it reviews and evaluates.

The Commission also is in a position to advise the President whether existing rates of duty should be increased on any article imported into the United States either by reason of prior investigations under the peril point or escape clause provisions of the law or because of its practice of compiling import statistics and of its experience in evaluating the competitive impact of imports upon domestic producers of like or similar articles.

It seems desirable that the Congress should be informed as to the Tariff Commission's advice in such a manner that the proposed negotiations will not be jeopardized. To that end, the suggested amendment would require that the Commission's advice to the President not be disclosed until the peril point investigations have been completed. The Congress should be made aware of the Commission's advice to the President that additional import restrictions should be imposed upon certain articles in order that the Congress may be informed whether the executive department is carrying out the purposes of the law.

PROPOSED AMENDMENT (B) TO SEC. 3 (A) OF THE TRADE AGREEMENTS EXTENSION ACT OF 1951, AS AMENDED, (19 U. S. C., SEC. 1360 (A))

H. R. 12591 amends the third and fourth sentences to subsection (a) by striking out "120" days and inserting in lieu thereof "6 months."

Further amendments are as follows:

The first 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 to read as follows (matter in brackets deleted; new matter italic):

"SEC. 3. (a) Before entering into negotiations concerning any proposed foreign trade agreement under section 350 of the Tariff Act of 1930, as amended, the President shall *request the advice of* [furnish] the United States Tariff Commission (hereinafter in this Act referred to as the 'Commission') [with] *in the preparation of* a list of all articles imported into the United States to be considered for possible modification of duties and other import restrictions, im-

position of additional import restrictions, or continuance of existing customs or excise treatment. *The Commission shall include as part of its advice to the President a report concerning all articles imported into the United States which, in the judgment of the Commission, should be considered by the President for possible imposition of additional import restrictions. After receipt of such advice and report of the Commission, the President shall furnish the Commission with the list of imported articles prepared by him and such list shall specify each article by its commercial name or designation and indicate the paragraph or other provision of the tariff Act of 1930 under which such article is classified for duty purposes.* [Upon receipt of such list] [t] The Commission shall make an investigation and report to the President the findings of the Commission with respect to each such article on the list as to (1) the limit to which such modification, imposition, or continuance may be extended in order to carry out the purpose of such section 350 without causing or threatening serious injury to the domestic industry producing like or directly competitive articles; and (2) if increases in duties or additional import restrictions are required to avoid serious injury to the domestic industry producing like or directly competitive articles the minimum increases in duties or additional import restrictions required. Such report shall be made by the Commission to the President not later than [120 days] six months after the receipt of such list by the Commission. No such foreign trade agreement shall be entered into until the Commission has made its report to the President or until the expiration of the [120 day] *six-month* period. *Concurrently with the submission of such report to the President, the Commission shall submit to the Committee on Ways and Means of the House and to the Committee on Finance of the Senate a copy of its advice and report to the President referred to in the second sentence of this paragraph.*"

THE PURPOSE OF AMENDMENT (C)

The peril point provisions of existing law do not establish standards or guidelines to assist the Commission in making its determinations in preventing the possibility of injury which might flow from a proposed concession on imports. Although the Congress directs the Commission to ascertain the minimum increases or decreases in duty or other modifications of existing customs treatment, no criteria are set forth in the law to aid the Commission. As a matter of practice the Commission undoubtedly has established working rules which it applies to factual problems presented to it in peril point investigations. It would seem desirable that the statute itself furnish some standards which the Commission would be required to apply in addition to weighing other factors which it deems pertinent or relevant.

PROPOSED AMENDMENT (C) TO H. R. 12599 AND TO SECTION 3 (B) OF THE TRADE AGREEMENTS EXTENSION ACT OF 1951 AS AMENDED (19 U. S. C., SEC. 1360 (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 sentences:

"Each investigation of the Commission shall, without excluding other factors, ascertain—

"(1) The average invoice price, converted into currency of the United States in accordance with the provisions of section 522 of the Tariff Act of 1930, as amended, at which the foreign article is sold for export to the United States on a country of origin basis, and the price of like or directly competitive domestic articles when sold at wholesale in the markets of the United States during the last calendar year preceding such investigation.

"(2) The Commission shall estimate the increased volume of imports which, under normal conditions of trade, will result from the granting of the maximum reductions in rates of duty and maximum concessions in other import restrictions permitted under this part during each of the 3 years following the effective date of any proposed trade agreement and shall also estimate the maximum increase in imports which may occur without causing injury to the domestic industry producing like or directly competitive articles.

"(3) The Commission shall request the executive department for information in its possession concerning prices, and other economic data from the principal supplier foreign country of each such article.

"(4) 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."

THE PURPOSE OF AMENDMENT (D)

A major attack upon the administration of the trade agreements program is centered upon the actions of the President in overruling the factual findings of the Tariff Commission, or in refusing to accept such findings on the ground that they are insufficient or inadequate. Although the Commission has expended 9 months time on each escape clause case and has utilized all of its investigative facilities and the experience of its expert staff in making factual determinations, the President within a period of 60 days, through executive agencies which are not experts in this field, second-guesses the Commission.

Existing law does not grant the President specific authority to substitute his judgment of facts for that of the Commission, but the provision of law which permits him to advise the Congress of his refusal to follow the Tariff Commission recommendations has been converted into a presidential review of the facts of injury.

As will be seen from an examination of amendment E, the inclusion of language in the law making the decision of the Commission on the question of injury final and conclusive will not arbitrarily deprive the President of discretionary power of disapproving the Commission's decision in national security matters.

PROPOSED AMENDMENT (D) TO H. R. 12591

The third paragraph of subsection (a) of section 7 of the Trade Agreements Act of 1951 as amended (19 U. S. C., sec. 1364 (a)) is amended by adding at the end of said paragraph the following:

"The findings of the Tariff Commission as to injury or threat of serious injury made pursuant to the provisions of this section shall be final and con-

THE PURPOSE OF AMENDMENT (E)

It is recognized that the President may deem it advisable not to approve of the Tariff Commission's findings of injury where it would be inimical to the security of the United States if adjustments or modifications of duty or impositions of quotas recommended by the Commission were made effective.

The amendments would permit the President to inform the Congress that our national security needs require that he not act in accordance with the findings of the Commission and such report would be binding upon the United States unless the Congress were to affirmatively disapprove of the President's decision by adopting a concurrent resolution.

PROPOSED AMENDMENT (E) TO H. R. 12591

On page 9, beginning with line 11, strike out through line 16 page 10, and insert in lieu thereof the following:

"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 striking out

"'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.'

and by inserting in lieu thereof the following:

"'Whenever the President determines that the security needs of the United States would be adversely affected by such adjustments or modifications or imposition of such quotas, he shall within 60 days of receipt of the Tariff Commission's report, submit a report to the Committee on Ways and Means of the House and to the Committee on Finance of the Senate specifying the national security need which, in his judgment, requires that the findings of the Tariff Commission not be approved.

"'(2) Within 60 days following the date on which the report referred to in the second sentence of paragraph (1) is submitted to such committees, unless both Houses of the Congress shall adopt a concurrent resolution disapproving of the President's determination made pursuant to provisions of paragraph (1), the finding of the President shall supercede and replace the report of the Commission. Where the Congress by such concurrent resolution disapproves of such finding, the President shall within 15 days thereafter 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. For the purposes of this paragraph, 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.'"

Senator FREAR. Senator Bennett?

Senator BENNETT. No questions.

Senator FREAR. Thank you very much, Mr. Hooker, for this testimony, and I am sure that you have gained something from the questions that were asked of you also, as I know the members of the committee have gained from questioning you.

Mr. HOOKER. I appreciate the opportunity of appearing here, gentlemen.

Senator FREAR. Thank you all very much.

The committee will stand in recess until 2:30 in this room.

(Whereupon, at 1:15 p. m. the committee was recessed, to reconvene at 2:30 p. m. of the same day.)

AFTERNOON SESSION

Senator CARLSON (presiding). The committee will come to order.

The next witness is Mr. Bronson Trevor, American Coalition of Patriotic Societies.

Mr. Trevor, we are very happy to have you here before the committee, and we would be glad to have you make a statement, read your statement, or proceed in any way you wish.

STATEMENT OF BRONSON TREVOR, REPRESENTING THE AMERICAN COALITION OF PATRIOTIC SOCIETIES

Mr. TREVOR. I would read my statement, if I may.

The American Coalition of Patriotic Societies at its annual convention held on January 30, 1958, by resolution reaffirmed its opposition to the reciprocal trade agreements program as expressed in a resolution passed at its annual convention held on January 13, 1955, which reads as follows:

REGULATION OF FOREIGN COMMERCE

Whereas the reciprocal trade agreements program represents an unwarranted encroachment of the executive branch of our Government upon the legislative responsibility conferred upon Congress by the Constitution of the United States, and

Whereas as a result of reduction of tariffs under the reciprocal trade agreements program various industries important to our healthy economy and strong national defense have been injured or forced out of business with consequent injury and loss of jobs by the American workingman: Therefore be it

Resolved, That the American Coalition of Patriotic Societies in annual convention assembled urges Congress to allow the 1934 Trade Agreements Act (Re-

ciprocal Trade Agreements Act) to expire June 12, 1955, and upon its expiration, the Congress should resume its constitutional responsibility of regulating foreign commerce through its agent, the Tariff Commission.

The growing number of unemployed in the United States should cause us to examine with care the legislation to extend the reciprocal trade agreements program. Congress has been supplied with much evidence, according to U. S. News & World Report for March 7, 1958, that thousands of American workers have been thrown out of employment by foreign imports.

President Eisenhower in his message to Congress has argued that these imports were necessary "* * * to provide foreign nations the opportunity to earn the dollars to pay for the goods we sell."

This argument is so basic to the whole legislation that it is important to see the incompleteness of its reasoning, because there are other ways in which the money obtained by foreign nations can be spent.

With data obtained from the Economic Almanac, 1958, we find that from 1947 through 1956, inclusive, the United States put in foreign hands by spending on imports of goods and services, unilateral transfers, capital investments abroad, and the purchase of gold about $19 billion more than the world spent on our exports of goods and services and on unilateral transfers.

The $19 billion went to build up foreign balances, on investments in this country, and in the purchase of gold. The Federal Reserve Bulletin for April 1950 pointed out that even during the so-called dollar shortage in 1948 and 1949, foreign investments in the United States, some of them secret, increased by $1.9 billion and $0.9 billion, respectively. Is it any wonder that in the 2 years from 1954 to 1956, foreign assets and investments in the United States jumped from a total of $26.8 billion to $31.6 billion?

Obviously there is something wrong with legislation which in 10 years allowed $19 billion, that in theory would be spent on our exports, to be diverted to the stock market and other channels.

The New York Times of January 2, 1955, in a special dispatch from Geneva, reported the following:

FLIGHT OF CAPITAL TO UNITED STATES CONTINUES

GATT STUDIES INDICATE IT IS A BASIC CAUSE OF CHRONIC DOLLAR CRISIS ABROAD

* * * The policy implications of these new studies, some of which are based on new data, are substantial and highly controversial. Indeed, they contain so much dynamite that it is highly unlikely the study will ever be published in an official paper. * * * The studies also throw considerable doubt on the thesis that lowering the American tariff is essential to the establishment of better balance in world trade. * * *

With reference to the movement of foreign funds at the present time, there is still a tendency toward investment in American securities or in gold. The New York Journal-American of April 27, 1958, had this to say:

Some of the recent strength in our market due to revived buying by European traders. Some firms report Swiss, British interest in our leading steels, oils, papers, and business machines. * * *

The New York World-Telegram and Sun for April 25, 1958, reported that the United States had a loss of gold to foreigners of $729 million since the first of the year, with $124 million of this amount being lost in the week ended Wednesday, April 23.

The United States, because it is a great capital-creating nation, does not need investment here by foreigners of money obtained by them because of our purchases of imports. Until we stop the diversion of this money from the legitimate function of paying for our exports, we should expect our unemployment to increase.

Foreign nations control the investment of funds, in areas under their control, to their best advantage. The Wall Street Journal for September 16, 1948, reports that in regard to Africa:

> In some colonies, for example, Americans have been advised they can invest only in the nonbasic industries. The British reserve to their own nationals the right to develop communications, power, basic minerals, transportation, and other basic industries. * * * Other Americans have found this discrimination against American investors running throughout Europe. Many profitable industries are "reserved" for European nationals.

Not only in new investments is this discrimination the case, but it is so even in the case of stocks traded in London security markets. The New York World-Telegram of July 6, 1948, reported the following:

> The British Government through the Bank of England has thwarted an American move to purchase control of the British-owned San Francisco Mines of Mexico, the Evening Standard said today. * * *
>
> * * * Today, the Standard said, the Bank of England refused to issue any further licenses in connection with these mining shares. Previously the bank had honored transactions made with "security sterlings."
>
> The paper stated that big British interests had pointed out to the Bank of England the undesirability of permitting control of this $15,200,000 silver, lead, and zinc property to pass out of British hands. * * *

A similar but unsuccessful attempt, reported in the Wall Street Journal of June 11, 1956, was made to block the Texas Co. when it made an offer to purchase stock in the Trinidad Oil Co., Ltd.

In 1950, when Britain ended gasoline rationing, the Standard Oil Company of New Jersey and Caltex agreed to accept payment for supplies 100 percent in pounds sterling. According to the Wall Street Journal of May 27, 1950, the British Minister of Fuel and Power, Philip Noel-Baker, said that the agreement provided that the sterling must be spent in Britain on oil equipment, machinery, and other goods used by the companies in their oil operations, but must be in addition to present purchases.

The American motion picture industry was subjected to similar restriction on its "blocked" earnings in Britain, according to the Wall Street Journal of September 6, 1949, with only 27 authorized purposes for which the frozen funds could be spent.

On the other hand, foreign exchange has been made available for investment purposes by countries suffering from a so-called dollar shortage.

Business Week for July 31, 1948, reported:

> * * * Britain is pushing overseas investment.
>
> More than 250 firms are currently studying prospects of Canadian branch plants. About 45 have plans well advanced involving investments of from $100,000 to over $1 million. One $3 million plant is listed.
>
> Seventy firms are investigating manufacturing prospects in Australia. South Africa is not bing overlooked. Britain hopes, by rebuilding overseas investment, to recapture some of the income lost through wartime divestment. * * *

Two French engineering groups were able to get a $15 million contract to complete a steel mill in Peru in preference to 3 American engineering groups, according to Business Week of July 31, 1954,

because of liberal credit terms offered by the Banque de Paris et des Pays Bas.

The New York Times of October 10, 1954, said the British Government approved the transfer of $15 million in British funds to provide the equity capital for a new American subsidiary of the Bowater Paper Corp., Ltd., of London. Among other things, this project included the purchase of 200,000 acres of land in Tennessee. Chancellor of the Exchequer R. A. Butler was quoted by the New York Times as saying:

> This venture is the largest investment sanctioned by the British Government in the United States since the war.

An attempt, authorized by the British Treasury, to use scarce dollar exchange to buy retail stores here so that American manufactures on their shelves could be displaced by British products is described in the New York World-Telegram of February 11, 1949:

> A high British trade official today disclosed that the Labor Government is ready to ease curbs on foreign exchange sufficiently to permit investments in American retail enterprises.
>
> The move is, frankly, intended to facilitate the sale of British goods here, said Neville Blond, United Kingdom trade adviser to this country.
>
> Top-level officials, he said, have just authorized a $750,000 investment by Great Universal Stores, Ltd. * * *

While this transaction was never completed, the head of Great Universal Stores, Ltd., was reported by the Wall Street Journal of December 3, 1954, as being interested in investing $100 million in Montgomery Ward & Co., to use the firm as an American outlet for British goods. This approach to the management of Montgomery Ward & Co. was not successful.

In connection with the favoring of investments by Britain in foreign lands over the purchase of goods from the United States, it would be well for us to remember the statement of Chancellor of the Exchequer R. A. Butler, as reported in the Wall Street Journal of February 4, 1953, which said:

> Mr. Butler warned foreigners who would like to sell more goods to the United Kingdom they should not count on any relaxation in Britain's import controls in the near future. He indicated Britain, itself, needed a surplus in excess of $800 million a year on its current account to take care of its debts and to meet its overseas investment "commitments."

The exports from the United States face many obstacles is indicated by a dispatch in the Wall Street Journal for April 10, 1950, which said:

> A little-known committee of representatives from British Commonwealth countries sits down every week in London to discuss the question: What not to buy in America?
>
> The committee represents Britain, Australia, New Zealand, South Africa, India, Pakistan, Ceylon, Southern Rhodesia, and British colonies. Last summer, members agreed to try and cut imports from dollar areas by 25 percent. * * *

Business Week of February 21, 1953, carried the following headline about a United Nations report:

> U. N.'s Advice * * * to the Latin American Businessman: Push Trade With Europe and Buy Less From the U. S.

While it is to be expected that foreign governments might not welcome our exports, it is painfully evident that the United States has financed competition for its industries. The Economic Cooperation

Administration has been active in this regard. "ECA Dollars Build the Factories That May Whittle U. S. Sales," headlined the Wall Street Journal of November 21, 1950.

On June 20, 1949, the same paper reported:

ECA reveals plan to finance new steel plant in France. * * * Mill would put France in export market.

On April 22, 1958, the same paper said:

Imported steel grows cheaper, adding to the woes of half idle United States mills. This country already buys nearly 60 percent of its barbed wire from abroad, steel men estimate. * * *

On June 21, 1950, the Wall Street Journal reported:

ECA experts groom Turkey to help supply West Europe's grain.

On November 29, 1955, the same paper said:

Foreign farmers lift output, dimming long-range export prospects for United States crops.

An interesting example of the ECA attitude toward American industry is revealed in Business Week for April 16, 1949, which said:

* * * Other manufacturers are mad at ECA for urging foreigners to buy anywhere but in the United States if possible. (This is a cardinal principle of the Marshall plan—to cut back dollar buying and stimulate intra-European trade.) * * * A Worcester machine-tool man sums up the feelings of many of his disillusioned colleagues: "We were hopeful ECA would be of great benefit. But now we find they are urging France, for instance, to buy tools in England." * * *

The thoroughness with which our Government helps foreigners to get dollar exchange is indicated by an item in the Wall Street Journal of June 11, 1948. It reported that the Department of Commerce was opposed to the establishment of a travel service in the Interior Department because it feared undue emphasis on the wonders of the United States national parks and playgrounds. The Department of Commerce, according to Interior Department officials, stressed overseas travel because it was a form of export for foreigners.

Paul G. Hoffman, ECA Administrator, apparently recognized that increased imports would decrease employment here because, according to the New York Daily News of February 23, 1950, he testified before the Senate Foreign Relations Committee that American workers who lost their jobs as a result of foreign goods sold to this country by Marshall plan nations should draw Federal-State jobless pay.

As the evidence accumulates, it becomes apparent that the policy of our Government is not to promote our exports. Therefore, the argument that the legislation to extend the Reciprocal Trade Agreements Act is designed to help our exports does not fit into the pattern of our Government's action, and is more plausible than realistic.

However, increasing our imports does coincide with the British desire, as expressed by Chancellor of the Exchequer Butler, to sell at least $800 million more goods than they would buy, and use the surplus for debts and investments. The foreign investments are being made in this country, and the imports are coming in. Is that not the real effect of this legislation?

Another misconception of the reciprocal trade-agreements program is that American industry will always try to safeguard the employment of labor in its American plants by asking for tariff protection.

This is not necessarily so, because, in the auto industry, for example, there are foreign plants now, according to Business Week of February 22, 1958, which are as low-cost efficient producers as any company in the United States.

General Motors, Ford, American Motors, and Studebaker-Packard are now importing cars from abroad, and Chrysler is anxious to do likewise.

Business Week of February 22, 1958, says:

With the tide running heavily against exports from the United States and toward production abroad, one Detroit executive has been heard to say: "Before I retire, I hope to see my company producing as many units abroad as in the United States."

With regard to more than a dozen American companies setting up factories in Scotland since World War II because, among other reasons, of the skilled labor which was a third cheaper than in the United States, the New York Herald Tribune of March 20, 1949, had this to say:

* * * One complication would be customs duties charged on goods exported to the United States. Some believe, however, American tariffs might be reduced. This they regarded as something new—American manufacturers lobbying to cut American tariffs. * * *

This legislation is said to be necessary to meet the threat of the European Economic Community in creating a Common Market. It will do nothing of the kind. The Common Market consists of France, West Germany, Italy, Belguim, the Netherlands, and Luxembourg. Our present duties on imports from these countries were lowered in exchange for concessions on duties on our exports to them. The tariff duties of the Common Market could consist of the highest duty charged by any of the 6 nations; so that, in 5 cases out of 6, our exports could face a higher duty, and yet our Government seems to consider itself unable to obtain any redress for the canceled concessions under the GATT agreement.

The ultimate effect is, obviously, going to be that our duties will be lower while foreign duties in many instances may be higher than now.

Business Week of February 22, 1958, in discussing the auto industry, says:

Right off the bat, the Common Market and free-trade area mean the European market for United States-built passenger cars is almost gone.

The same publication, on September 28, 1957, reported:

* * * Creation of the European Common Market has led Rockwell Manufacturing Co., a United States producer of valves, meters, and regulators, into buying a foreign property. * * * It fears low import quotas and high tariffs around the Common Market will prevent United States companies as well as others outside the Common Market and the proposed associated free-trade area from maintaining their present sales volume. * * *

With reference to a speech by James A. Moffett, president of Corn Products Refining International, the New York Herald Tribune of April 16, 1958, had this to say:

* * * As a result of the Common Market development, the speaker said, American business may have to reappraise its situation because the increase in production abroad will ultimately eliminate the need for American manufactured goods. * * *

The President says that the reciprocal trade agreements program is necessary to meet the economic offensive of the Soviet Union. It is a fact, however, that this legislation will not make our exports sufficiently cheap, as the prices of our goods are determined by commercial and not by political considerations.

That this is so is borne out by a recent speech of Henry Cabot Lodge, United States Ambassador to the United Nations, reported in the New York Journal-American of April 17, 1958. He said that the United States may have to subsidize exporters in order to compete with Soviet prestige price-cutting abroad.

It is obvious that Ambassador Lodge recognized the futility of the Reciprocal Trade Agreements Act to help in this connection.

Furthermore, it should not be forgotten that when we subsidize our exports there are immediate adverse repercussions from other exporting nations, so that the cure may be worse than the disease.

For example, the Wall Street Journal of February 16, 1955, reported that American subsidies on exports of oranges were denounced at the then current GATT session in Switzerland by representatives of Italy, South Africa, Greece, Australia, Cyprus, and the British West Indies.

Therefore, any benefit must be confined to goods which we might import, rather than to let them go to the Soviet Union. In this instance, also, however, the Soviet Union can outbid us when diplomacy dictates such a course.

Central Intelligence Agency Director Allen Dulles is quoted by Time magazine of May 5, 1958, as saying of the Russians:

> They will buy anything, trade anything, and dump anything if it advances communism or helps to destroy the influence of the West.

The money to pay for imports into the Soviet Union could come from the sale of their gold. Leslie Gould, financial editor of the New York Journal-American, on April 9, 1958, in an article under the headline "United States Gold Policy Helps Reds Compete in South America," had this to say:

> Brazil is where the Russians, under their "new look," will contest the United States in the economic phase of the East-West cold war. The Argentine is the other big battleground, with Chile and Uruguay smaller targets.
>
> Russia is dangling long-term credits, including needed dollars, and barter deals of oil equipment and other machinery.
>
> The irony of these proposals is that these credits are made possible by the United States Treasury's $35-an-ounce fixed price of gold. This puts a firm floor under the world gold markets, no matter how heavy the offerings of metal. * * *
>
> Russia is a heavy seller of gold. These sales are the source of much of the money being used to carry on the economic phase of the Communists' cold war, as well as to finance subversive activities of its other agents. * * *

Although definite figures are not available, Samuel Montagu & Co., a leading British bullion dealer, according to the Northern Miner of February 27, 1958, has estimated that gold is produced in the Soviet Union at the rate of 17 million ounces annually, which would be worth $595 million a year.

We must not forget that the value of gold is largely dependent upon the willingness of the Government of the United States to buy gold in unlimited amounts from no matter what source of production.

Confirming this view is the statement by Douglas Abbott, the Canadian Federal Minister of Finance, according to the Northern

Miner of May 22, 1952, who, while speaking in the Canadian House of Commons, maintained that gold itself had little intrinsic value, and that its stability as a medium of international exchange depended on the willingness of the United States Treasury to buy it at the fixed price of $35 per ounce.

As long as our country stands ready to supply the Soviet Union with an amount of dollars limited only by the size of the latter's gold reserve, it is futile for us to expect to compete successfully with that nation in the arena of economic warfare.

Under the circumstances, we do not believe that the arguments are valid in favor of the passage of the bill extending the reciprocal trade agreements program, and the American Coalition of Patriotic Societies opposes such action.

Senator CARLSON. Mr. Trevor, we appreciate your appearing here before the committee. I notice you appear here for the American Coalition of Patriotic Societies.

Mr. TREVOR. Yes, sir.

Senator CARLSON. Would you mind mentioning some of them, or would you list them for the record?

Mr. TREVOR. I can supply the clerk with the list. It is about 103 societies.

(The material referred to follows:)

SOCIETIES COOPERATING WITH THE AMERICAN COALITION OF PATRIOTIC SOCIETIES

As of December 6, 1957

Alliance, Inc., The
American Coalition of New York
American Public Relations Forum, Inc.
American Tradition, The
American War Mothers
American Women's Legion of World Wars
Americanism Defense League
Bill of Rights Commemorative Society
Connecticut Volunteers
Dames of the Loyal Legion of the United States
Dames of the Loyal Legion of the United States, District of Columbia
Dames of the Loyal Legion of the United States, Pennsylvania
Daughters of America, National Council
Daughters of America, District of Columbia Council
Daughters of the Revolution, National Society
Daughters of the Revolution, New Jersey Society
Daughters of the Revolution, New York Society
Daughters of the Revolution, Commonwealth of Pennsylvania
Daughters of the Revolution, Colonial Chapter
Daughters of the Revolution, Lafayette Chapter
Daughters of the Revolution, Liberty Bell Chapter
Defenders of the American Constitution, Inc.
Defenders of State Sovereignty and Individual Liberty, Arlington Chapter
Descendants of the Signers of the Declaration of Independence
Fraternal Patriotic Americans, State of Pennsylvania, Inc.
General Society of the War of 1812
General Society of the War of 1812, District of Columbia Division
General Society of the War of 1812, New York Division
Grass Roots League, Inc.
Junior Order United American Mechanics, New Jersey
Junior Order United American Mechanics, New York, Inc.
Junior Order United American Mechanics, Pennsylvania
Ladies of the Grand Army of the Republic
Ladies of the Grand Army of the Republic, Department of the Potomac
Marine Corps League Auxiliary

Massachusetts Committees of Correspondence
Michigan Coalition of Constitutionalists
Military Order of the Loyal Legion of the United States, Commandery in Chief
Military Order of the Loyal Legion of the United States, Commandery of the District of Columbia
Military Order of the Loyal Legion of the United States, Commandery of the State of New York
Military Order of the Loyal Legion of the United States, Commandery of the State of Pennsylvania
Military Order of the World Wars
Minnesota Coalition of Patriotic Societies, Inc.
National Constitution Day Committee
National Huguenot Society, The
National Society, Colonial Dames of the XVII Century, New York State Society
National Society for Constitutional Security
National Society for Constitutional Security, Chapter I
National Society for Constitutional Society, Chapter II
National Society for Constitutional Security, Chapter III
National Society, Daughters of the Union, 1861-65
National Society, Magna Charta Dames
National Society of New England Women
National Society of New England Women, New York City Colony
National Society, Patriotic Women of America, Inc.
National Society, Patriotic Women of America, D. C. Council
National Society, Patriotic Women of America, N. Y. Council
National Society, Service Star Legion
National Society, Sons and Daughters of the Pilgrims
National Society, U. S. Daughters of 1812, State of New York
National Society, Women Descendants of the Ancient and Honorable Artillery Company
National Sojourners, Inc.
National Woman's Relief Corps
Naval and Military Order of the Spanish-American War, National Commandery
New Jersey Coalition, Inc.
Ohio Coalition of Patriotic Societies
Order of Fraternal Americans, Grand Council
Order of Independent Americans, Inc., State Council of Penna.
Order of the Founders and Patriots of America, California
Order of the Founders and Patriots of America, D. C.
Order of the Founders and Patriots of America, Mass.
Order of the Founders and Patriots of America, New Jersey
Order of the Founders and Patriots of America, New York
Order of the Founders and Patriots of America, R. I.
Order of the Three Crusades 1096–1192, Inc. (The)
Order of Washington
Patriotic Order Sons of America, National Camp
Patriotic Order Sons of America, State Camp of Pennsylvania
Rhode Island Association of Patriots
Society of Old Plymouth Colony Descendants
Society of the Sons of the Revolution in the Commonwealth of Massachusetts
Sons and Daughters of Liberty, National Council
Sons and Daughters of Liberty, State Council Conn.
Sons and Daughters of Liberty, State Council D. C.
Sons and Daughters of Liberty, State Council Md.
Sons and Daughters of Liberty, State Council Mass.
Sons and Daughters of Liberty, State Council N. H.
Sons and Daughters of Liberty, State Council Penna.
Sons of the American Revolution, National Society
Sons of the American Revolution, California Society
Sons of the American Revolution, Empire State Society
Sons of the American Revolution, Iowa Society
Sons of the American Revolution, New Jersey Society
Sons of Union Veterans of the Civil War Commandery-in-Chief
Sons of Union Veterans of the Civil War, Mass. Dept.
Sovereignty Preservation Council of Delaware
United States Day Committee, Inc.

United States Flag Committee
Wheel of Progress, The
William Thaw Council of Americans, Inc.
Woman's Relief Corps, Department of Potomac
Women of Army and Navy Legion of Valor, U. S. A.
Women's National Defense Committee of Philadelphia

Senator CARLSON. Senator Malone?

Senator MALONE. Mr. Trevor, your statement is very interesting, and has brought up some new points.

What is the customary method for the nations of Europe and Asia to preserve their own markets for their own people?

Mr. TREVOR. Well, they prevent our goods from being sold there in one way or another. If the tariff rate is fixed, they make a quota or they make some regulation like the size of automobiles that are sold, that can only be met by foreign cars, and otherwise.

Senator MALONE. Do they have import quotas or exchange permits?

Mr. TREVOR. I think they have all those things.

Senator MALONE. With an utter disregard for any trade agreement that they may have signed at Geneva?

Mr. TREVOR. Well, that is right. This Common Market system is just setting a whole new bunch of tariffs on top of the tariffs they had agreed on in the negotiating sessions before.

Senator MALONE. See if I am correct. Did I read in news dispatches a month or two ago that when they set up this Common Market it would be a considerable time before they even had free trade among themselves, but one of the objects of it was to protect that market for the nations included in the Common Market?

Mr. TREVOR. That is correct.

Senator MALONE. Am I right about that?

Mr. TREVOR. That is correct; yes, sir.

Senator MALONE. I wonder if you could furnish for the record some documentary evidence that that is a fact—that is to say, news dispatches or current statements. You understand we have 15 members of this committee and 96 Members of the Senate. I know they will be glad to get factual information such as that.

Mr. TREVOR. Well, I supplied the statements by people who analyzed it here to such an extent that they had either decided they had better move their factories into it to avoid what they saw was inevitable. Mr. Moffett, who handles this Corn Products Refining International——

Senator MALONE. And Rockwell?

Mr. TREVOR. Well, the Rockwell Manufacturing Co. are putting their plant abroad. James A. Moffett, who is the president of the Corn Products Refining International made this statement:

As a result of the Common Market development, the speaker said, American business may have to reappraise its situation because the increase in production abroad will ultimately eliminate the need for American manufactured goods.

Senator MALONE. Then what is the effect of import permits or exchange permits or manipulation of the price of their money in terms of the dollar for trade advantage? What influence does that have on the location of manufacturing or processing plants or mines?

Mr. TREVOR. Well, it makes it desirable to invest abroad rather than in the United States.

Senator MALONE. In other words, if you have an import permit which cuts the amount of goods that they allow to come in at any time, they can allow a certain type to come in if they want them, and if they do not want them they can just refuse a permit; is that it?

Mr. TREVOR. That seems to be the way it works.

Senator MALONE. And it is done by Executive order in most cases. They do not have to go through a Congress like we have to do here, in most cases, do they?

Mr. TREVOR. I really could not answer that.

Senator MALONE. Well, I will answer that for you: That it is done by Executive order in about 98 percent of the cases.

Now then, if the only way you can sell in that market is to have your plant located there, then it is an incentive for American plants and others to operate there if they want to get into the market, is it not?

Mr. TREVOR. It certainly is.

Senator MALONE. If we, on the other hand, have a virtually free trade policy, and we live up to it, lowering our tariffs and not having such import or exchange permits or manipulation of the price of our money in terms of their money, then they know they can have this market, also.

Mr. TREVOR. That is right.

Senator MALONE. With their lower cost labor. And the machinery, of course, is just the same as we use here and in some cases, when it is a later plant, it is better machinery than they have in the plants here, is it not?

Mr. TREVOR. That is right, and I think that is one of the reasons these companies are moving to Scotland. They paid less, they are building brandnew plants, and ultimately they are going to ship their products back to this country.

Senator MALONE. The ECA, then, finds it is not advantageous to recommend that they buy American goods with American money, is that it?

Mr. TREVOR. Well, the ECA is trying or was trying to strengthen the European countries, and their theory of strengthening seemed to be that they should not import anything from the United States.

Senator MALONE. You mentioned imported steel. As to these lower wages and lower costs for the higher grade steel, is that having its effect in imports in this country?

Mr. TREVOR. Well, apparently. Barbed wire, 60 percent coming in from abroad now. I am not too familiar with all the different grades of steel, how it affects each grade separately. I could not answer that question.

Senator MALONE. Have we, in the last little while, made it very clear that we intend to divide our markets with certain European and Asiatic nations; in other words, preserve only a certain percent of it, if any, for the United States?

Mr. TREVOR. I have never seen anything which indicated we really planned to preserve any of it for our domestic manufacturers.

The ECA policy is to buy abroad wherever possible, and not buy anything in this country.

Senator MALONE. Well, there is some pending legislation which I approve only because there is no other way of keeping our Amer-

icans in business. This morning I think a bill was reported out of the Interior and Insular Affairs Committee on certain minerals, whereby the Government will pay a subsidy on several minerals up to a certain amount, which proves to be about 25 to 30 percent of the market. Then they do not subsidize beyond that. So it means our own producers would have a maximum of that amount of the market, and the prices set would seem to be inadequate, so they may not even get that much.

So that in carrying out what was announced many years ago—by "many years," I mean 10 or 15 years ago—that it was necessary to divide the American market with the nations of the world to preserve peace and have the tranquillity that everybody wants so badly.

You were not aware of that bill?

Mr. TREVOR. Well, it slipped my mind at the moment. I have seen it.

Senator MALONE. It is a start, but it is a policy that naturally the only way we can sell anything abroad is to subsidize it, like our grain and other materials; is that about right?

Mr. TREVOR. I think so. I think somebody testified before the House Ways and Means Committee that 42 percent of our agricultural exports are subsidized.

Senator MALONE. Well, we have given them approximately $70 billion. There is some argument about it, 1 or 2 billion either way, which does not seem to make much difference—but that is since World War II, to build plants for them to gain dollar balances against our gold, and for other purposes.

A good deal of it is going to keep certain dictators in power, or at least that is the effect of it.

You talked about certain credits they were building up with the money we give them, and its effect on the gold supply and investments of this country. I think that should be made a little clearer.

Mr. TREVOR. Well now, I had a clipping just a couple of days ago from the Wall Street Journal of June 24, 1958:

> Foreign nations hike gold dollar reserves in first period by cutting buying in the United States. Foreign countries increased their holdings of gold and dollar reserves by $546 million in the first 3 months of 1958, largely by reducing their purchases in the United States, the Commerce Department reported.

Senator MALONE. Well, that seems to be very clear, and you are familiar with the investigation this committee is carrying on on the status of our economic structure. Both Secretary of the Treasury Humphrey, then Secretary last fall, and Mr. Martin, the Chairman of the Federal Reserve Board, testified that if all of the dollar balances which could be converted to nations' balances abroad and come under the policy of our paying dollar balances in gold, if they were all presented within a reasonable time, we would have about $5.7 billion worth of gold left out of the $22.4 billion held in our Federal depositories.

You are familiar with that testimony?

Mr. TREVOR. I saw a statement, I think it was in the U. S. News and World Report—I do not have it with me—to the effect if all of the foreign balances were taken out in gold, there would be a deficit of $1.7 billion in gold as cover for our currency; that a con-

traction would have to be made, and the outstanding currency or the gold coverage of the currency would have to be reduced by that amount.

Senator MALONE. I think it would be at least that bad. But we get a report every so often from this Federal Reserve Board that we have on deposit $22.4 billion (it varies slightly from time to time) indicating we own that much gold, which of course we do not.

The Russian cold war—of course, I do not see anything cold about it, because these European nations have recognized Communist China; they have traded with them ever since World War II. They had a list of strategic and critical materials, a copy of which I secured when I was in Paris in 1955, but these materials were all going to these countries.

We were shipping these materials to European countries, who in turn shipped them to the Iron Curtain countries. Then if Russia wanted them they were shipped right on through. That was proven here, like on copper, before the committee.

Do you know anything about this situation, or do you think there is anything cold about this war we are supposed to be having on trade?

Mr. TREVOR. Well, I gave you some data in my prepared statement about the opinion of the financial editor of the New York Journal-American which seems to be borne out, as far as I can make out, by other evidence. I haven't got any with me.

Senator MALONE. Well, is it not a peculiar situation when every European nation has to export to some other nation to live, and we furnish the money to build their manufacturing and processing plants, and to build mines?

There was no substantial market in any of those nations, even for their own products, was there, with their low wages? Do they not have to export in order to live? Is that the argument?

Mr. TREVOR. Yes, I think so. I think they specialized in different things. They are smaller countries than we are.

Senator MALONE. I mean like England. They have lived off exports to their colonials for 300 years; have they not?

Mr. TREVOR. Well, they have lived off their income of their investments abroad to a large extent. Actually, the exports of England have been inadequate without the investments made very early in the game in South America and Africa. That income is coming back. They invested in this country. I think there are still large British holdings of real estate, in the South particularly.

Senator MALONE. That came about through controls of the markets of lesser nations abroad, did it not?

Mr. TREVOR. Well, I can say originally it came about by conquest.

Senator MALONE. That is right.

Mr. TREVOR. That gave them control of the market.

Senator MALONE. The colonial system died, of course, when the airplane dominated the British Fleet in World War II. They have been living on momentum since that time through trade agreements where they can get the markets of such a nation as America. We broke away from the colonial system and the interminable trade wars of Europe in 1776, but now we have joined them again through this system of free trade for the United States while allowing them to protect their own markets—so we are becoming an economic colonial again; are we not?

Mr. TREVOR. Well, we are heading in that direction.

Senator MALONE. And with them having no responsibility for our welfare at all.

Mr. TREVOR. Well, they want, according to Butler, the Chancellor of the Exchequer, they want to sell $800 million more than they buy.

Senator MALONE. Well, that is a terrific ambition, and it would be wonderful if every nation in the world could do that.

I do not want to prolong the examination. You have made a very fine statement. What do you recommend in regard to this act?

Mr. TREVOR. I recommend that some provision——

Senator MALONE. Your Patriotic Societies.

Mr. TREVOR. That some provision be made to restrict the money that is obtained by selling goods in this country in such a way that it would be spent on our exports. That is what the President says the money does, and of course it doesn't. It seems to me the advocates of this legislation should not object to any provision which made the law do what they say it does do but does not do.

Senator MALONE. How did we get in this situation to start with? For 150 years we seemed to do pretty well. We just had a tariff or a duty, as provided in article I, section 8 of the Constitution, regulating it so that it evened or balanced the wages and taxes, the cost of doing business, here and in the chief competing country so that there was no advantage of low wages.

Mr. TREVOR. That was the intention of all recent tariff Acts, certainly.

Senator MALONE. For 150 years under that policy Congress did not go into how much of our market they were going to give to a foreign nation or whether or not they should let you survive in whatever business you were in, or when you had reached a peril point where you were being destroyed that they would then take up a collection for you or give you some specific advantage. When did Congress get into all this business? What put them in it?

Mr. TREVOR. That seemed to start in 1934, I think, when the trade agreements started.

Senator MALONE. Do you know what happens if the Trade Agreements Act is not renewed?

Mr. TREVOR. Well, I believe it goes back to the Smoot-Hawley legislation, if we denounce our agreements and break off all the GATT arrangements.

Senator MALONE. We revert to the 1930 Trade Agreements Act, which was a flexible import fee or tariff act. Upon 2 months' notice to the Secretary-General of the United Nations all of the articles covered by multilateral trade agreements revert to the Tariff Commission, an agent of Congress, on a statutory rate; and on 6 months' notice to nations party to bilateral treaties that the State Department has made, all those products revert on the same basis.

Do you know what that so-called Smoot-Hawley Tariff Act really provided?

Mr. TREVOR. I believe it provided for an equalization of the wage rate costs of products in the United States as against the world.

Senator MALONE. Against the chief competing nation on each product.

Mr. TREVOR. Yes.

Senator MALONE. Well, is that not exactly what you need?

Mr. TREVOR. Well, it would seem so if you want the American workmen to have the jobs.

Senator MALONE. In other words, if you want the American workingmen and the American investors to have equal access to their own market then you would just revert to the flexible adjustment of the duty or imposts or tariff, whatever you want to call it, and let it equalize the wages and the cost of doing business here and in the chief competing nation abroad; would you not?

Mr. TREVOR. That is right.

Senator MALONE. Is that not what everybody is trying to say, only just afraid to say they are against this monstrosity that was passed in 1934?

Mr. TREVOR. Well, I suppose there are some people who just want to help the foreigners and don't care about this country; I don't know.

Senator MALONE. Well, I am not so sure of that.

I have been in all these countries and I have tried to analyze it. I thought I had to see all our star boarders before I could vote intelligently. I think you hit the nail on the head a while ago when you said it was a phenomenon in this country for American producers to be asking for free trade. But aren't they Americans that are interested in these plants abroad, to furnish this market?

Mr. TREVOR. That is right.

Senator MALONE. Well, isn't it just that simple?

Mr. TREVOR. It certainly is simple.

Senator MALONE. Then it is the international investor versus the American workingman and American investors; isn't it about that simple?

Mr. TREVOR. It certainly seems so.

Senator MALONE. Then would the Tariff Act of 1930 need any substantial improvement if we reverted to it as we know we can do just by sitting still and not extending this act?

Mr. TREVOR. I should not think so.

Senator MALONE. Mr. Chairman, I think that Mr. Trevor has made a fine witness, and I think it ought to set some of our Members of the House and Senate thinking very seriously about this act.

Senator CARLSON. Senator Bennett?

Senator BENNETT. I have just one question.

As I read your statement on the bottom of page 9 you believe the American price for gold at $35 an ounce is actually holding up the world market and that if we cease to buy gold freely that the price of gold would go down?

Mr. TREVOR. That is apparently the view of the Canadian Federal Minister of Finance.

Senator BENNETT. Well, you present it as your view.

Mr. TREVOR. It is my view too.

Senator BENNETT. I think that will be of interest to our friend from Nevada because the gold miners of America figure that if we would just set the price of gold free it might double, and that the American Government is actually keeping the price of gold down and preventing the development of local gold resources. What do you have to say to that?

Mr. TREVOR. Well, my personal opinion is that the price of gold would not go up. I think the market should be free in this country

at least. Whether it is free for the Russians to send their gold over here and sell that is something else. I do not think I am in favor of that.

Senator BENNETT. Well, you believe we should have import restrictions on gold?

Mr. TREVOR. I certainly do; yes.

Senator BENNETT. Then if we need gold in this country and cannot produce enough we should go without the gold because obviously——

Mr. TREVOR. I think I would discriminate where you would get it instead of just saying you would get it any place. Getting gold from a Canadian mine or South American mine is entirely different from a Russian mine.

Senator BENNETT. Are you depending largely on this statement of the Canadian Minister of Finance for your conception that gold would go down or do you have any other specific information that would lead to that point of view?

Mr. TREVOR. No, I cannot say that I have any specific—I do not think you can be specific any more than that. It is a matter of opinion. It has never been tried.

Senator BENNETT. Well, I think—let's put it this way: You are the first witness who has ever come before this committee to indicate that in his opinion the price of gold would go down if it were free.

Mr. TREVOR. I know for instance in Peru, they created a coin that had no monetary value, but was a slug that weighed so much gold, and tried to sell that.

There was not any very great market for it.

Senator BENNETT. When did this happen?

Mr. TREVOR. I think about 1940 some time, I could not give you the exact date.

Senator BENNETT. I listened to your statement with a great deal of interest and it seems to me you have done a beautiful paper and scissors job. You have collected a variety of statements made over a period of 10 or 12 years under various circumstances and out of them you build a rather plausible case, and I do not think that is particularly convincing to this committee.

It certainly is not to me, because you have no central unified core.

You have taken a whole variety of newspaper headlines, unrelated articles, and tried to put them together, and——

Mr. TREVOR. I think they are related, sir, if I may respectfully disagree with you on that.

Senator BENNETT. Well, you can disagree, but as I say, to this Senator, at least, that kind of an approach is not at all impressive. That is all, Mr. Chairman.

Senator CARLSON. Mr. Trevor, we certainly appreciate your appearance here.

Senator MALONE. Mr. Chairman, I would like to ask another question. First I would like to say that I have introduced two gold bills. I do not of my own knowledge know whether gold would go up or go down as a result. But I do believe the way to find it out is to have a free market for a while and one of my bills would provide just that.

Mr. TREVOR. That is right.

Senator MALONE. Turn it loose and let our people buy and sell gold just like they do in Europe.

You see, through the Marshall plan and ECA and whatever it is called now, we give this folding money, to Europeans and they can use that to build up gold balances, whereas when you earn your money here you cannot buy gold.

I don't think it is a very healthy situation.

Then, too, as Canada is a little smarter than we are in several instances, I think the worth of their dollar reflects that horsesense they are using up there. It is worth more now than ours. I was up there in 1947, to make a talk before their National Mining Conference I believe it is called. At that time they were paying a subsidy for gold of $7.50 an ounce to the miners and then selling it to us for $35 an ounce which I told them looked to me like a pretty good deal. They also waited until we passed the Marshall plan and gave the money to England to buy the wheat for cash before they would sell any wheat to England.

So, while I was pointing out these things I was not doing very well as far as creating friends and influencing people but then, when I found they did not like that kind of talk, I changed the subject and after that we got along pretty well.

They have a lot of sense in Canada.

My other bill regarding gold provides that after we determine the value of the gold through a free market, whether it is $25, $55, or $35, we go on the gold standard.

And I think that sometimes there is a very grave difference of opinion in hearings in this committee, but what we need to do is get testimony in the hearings that might bring out what we should do.

There are people who think you should have a free market for gold and tie the money to gold but not fix a price on the gold.

To that I cannot reply adequately. I only know that we do not have the answer now and that we had better find one.

Now, I still want to compliment you on your approach.

I asked you then what you thought we ought to do and you answered it and I also believe that is what we should do.

If we do not have the votes to stop this extension and we have never had them, it has been extended 10 times, they claim 4½ million people working on foreign trade jobs, but I showed in a table and I want to argue the question with anybody who takes exception to it, that we are now exporting less percentage of our exportable goods in dollars than we did in the first three decades of the century, and before we had any such thing as so-called reciprocal trade, foreign aid, barter programs, or sale for worthless foreign currencies, if you deduct all the subsidies and cash payments we give them to buy the goods. I expect something to come out of that, because someone is going to take exception to it and we are going to have some data on it.

I have never been able to get very much out of the Department of Commerce. I told Secretary Weeks that and Secretary Dulles, and maybe we will get a little more now. I hope we do.

Now we have 6 million boys on the street even if there really are 4½ million working here shipping this stuff across the Atlantic and Pacific oceans. Our mines are down, our textiles are going out, our crockery is destroyed. Several hundred industries are on the way out and I would like to have your idea on this angle of it.

Mr. TREVOR. I think the reason for this difficulty is that supposedly the money that we give foreigners by buying imports is spent on our

exports, and it is demonstrable that it is not, otherwise, there is this clipping right there that says foreign nations hike gold-dollar reserves in first period by cutting buying in United States.

They just do not buy our exports. There are other things they can do with their money and they do it.

They buy land in the country, they buy stocks on the stock exchanges. There is no justification for that.

Senator MALONE. I think it is fine if they can do that with their own money.

I would approve of that heartily.

Mr. TREVOR. But I do not think it should be done with money that we give them by buying their imports.

Senator MALONE. So what does seem to be the objective of all this? Is it a sort of evener of the wealth of the United Nations with foreign nations or is it a deliberate inducement for American investments to go abroad through the gentling of the tariffs and the controls that influence the movement of industry? Is that the objective?

It is not conceivable that our people do not know what they are doing.

Mr. TREVOR. Well, it seems as if we were carrying out Chancellor Butler's recommendation on enabling England to sell $800 million more than she is willing to buy.

Senator, may I say I have to catch the plane.

Senator MALONE. I am sorry. Those are all the questions I really have.

Mr. TREVOR. Thank you, Senator.

Senator CARLSON. We thank you, Mr. Trevor.

Senator CARLSON. The next witness will be Mr. Paul George of the Cordage Institute.

Mr. George, we are very happy to have you here. If you want to file your statement, as it is prepared, or if you want to read it or make a statement, whichever way you want to, you may proceed.

STATEMENT OF PAUL E. GEORGE, REPRESENTING THE CORDAGE INSTITUTE

Mr. GEORGE. Thank you, Mr. Chairman. If I may, I will read my statement.

Senator CARLSON. Proceed.

Mr. GEORGE. My name is Paul E. George. I am assistant to the president of the Columbian Rope Co., of Auburn, N. Y., and the Edwin H. Filter Co., of Philadelphia and New Orleans. I appear on behalf of Cordage Institute, 350 Madison Avenue, New York City.

Cordage Institute is the trade association of the United States hard fiber cordage and twine manufacturers. A list of the manufacturers on behalf of whom this statement is made is attached.

Secretary of State Dulles in his statement before this committee last Friday said:

> Let me say this, almost every national policy hurts some and benefits others.

We agree with this observation, but we do not agree that our national policy on foreign trade was intended to seriously harm import-sensitive industries. The Congress, pursuant to its constitutional responsibility, has established a national policy on foreign trade, which we believe can be clearly implied from the Trade Agreements Act as amended.

As we see it, simply stated, this policy is that tariff concessions may be made on a reciprocal basis, but no tariff concessions should be made or maintained which would result in serious injury to any domestic industry. It is our belief that the word "reciprocal" was intended to mean reciprocity in kind, namely a trade of tariff concessions for tariff concessions. We fail to find any declared intent of Congress that within the meaning of the word "reciprocal" would be included a diplomatic or military advantage.

Further, we find nothing in the existing legislation to warrant an inference that the Congress in enacting the peril point and escape clauses, had any exceptions in mind to the policy that domestic industry and labor should not be seriously injured by excessive imports resulting from tariff concessions.

Now then, a reference to the record of the administration of the trade agreements program, with which you are all familiar, makes it clear that those charged with this administration have established and practiced a different national policy on foreign trade than was intended or visualized by the Congress. If that were not so there would be no fight on this pending legislation. The seriously injured domestic industries would have escaped that injury because they would have had the intended equal opportunity to compete.

I would like to stress those words, "equal opportunity to compete."

The record shows to the contrary, that in only one-third of the cases in which the Tariff Commission recommended favorable action was some remedial action authorized by the executive department.

The executive offices and the State Department want the power to carry out their own version of a foreign-trade policy. They desire the power to trade off American industry and jobs to obtain some diplomatic or military advantage that usually is only temporary. The administration wants H. R. 12591. That means to us that this bill will give them the power they desire to impose their own foreign-trade policy on the country.

If the Senate wants the administration to have this power to establish such a national policy on foreign trade, it will enact this bill as it is written. In that event we suggest that the Congress at the same time, having adopted this indirect method of repudiating its previous policy, should as a matter of good faith clearly inform the American people of its intention to establish as a national policy the executive department's concept of a foreign trade policy. The Senate should recognize at the same time that the established peril-point and escape-clause procedures would hold out to import-sensitive domestic industries little hope of equality of opportunity to compete as was the original intent of Congress.

But we cannot believe the Congress has any intention of repudiating its present policy. We cannot believe the Congress will put the fate of our many import vulnerable industries and thousands of workers in the hands of some individual or individuals in the executive department. Such action in the light of the responsibility imposed on the Congress by the Constitution, in our opinion, would amount to a denial of justice to many American citizens.

This is not a question of trust in the Office of the President or the Secretary of State. We know full well that no occupant of these offices in this age could ever find the time to master the detail involved

in these cases to the degree contemplated by the Constitution in the promise of judicial process for the protection of American citizens.

Every administration witness, so far as we know, has emphasized the importance of maintaining our export business and has tried to convey the impression that protection of import-sensitive industries would destroy our export business. We are in complete disagreement with this premise, and we are sure that the members of this committee are fully aware of the fallacy of the figures and the various misleading interpretations which have been used by these witnesses in support of this argument. Most industries engaged in export, export only a small percentage of their total output. We cannot agree, and we do not contend that the import business of any industry should be supported at the expense of an import industry any more than that the export business of any industry should be supported at the expense of an import-sensitive industry.

Do not our import-vulnerable industries employ people and contribute taxes to the benefit of our economy and the diversification necessary to our national growth and security? Do not many of these import-vulnerable industries make a direct contribution to foreign trade, for that matter?

Our own industry, for example, imports all of its natural raw fibers from foreign countries. On the question of employment, is it not a fact that generally our import-vulnerable industries are those requiring the most hand labor in their operations, thus offering the greatest proportionate opportunity for employment? The very reason they are so vulnerable is because import competition is mainly in those areas where the greatest amount of hand labor is involved.

It is inconceivable to us that the Congress in the consideration of these and other factors would establish, or allow to be established, a national policy that permits the sacrifice of many of our industries and thousands of jobs, to promote the temporary interest of exporting industries. We say "temporary" because in our opinion the rapid industrialization of many areas of the world, and the resulting surplus manufactured products in many countries, manufactured at much lower cost than is possible here, will in due course confront our exporting industries with unbeatable price competition in most of the markets they now serve. In recognition of this prospect, many American exporting industries have established plants abroad.

According to the June 20, 1958, Washington report of the Chamber of Commerce of the United States, private investment abroad totals about $35 billion; and 23 percent of our imports come from foreign branches of American companies. There you have it. Not only do our export industries recognize their coming inability to sell United States-produced items abroad, but they are also going a long step beyond, in taking advantage of low-cost foreign labor to manufacture products for export to the United States. In the present state of unemployment in this country, perhaps there should be some authoritative calculation on the number of American jobs which have been exported to foreign shores, to produce the 23 percent of United States imports referred to.

Senator BENNETT. May I interrupt at this point? Do you have a figure to show what portion of that the 23 percent represents products that are also manufactured in the United States?

That is an overall figure, and it must include all the foreign oil that comes to us from the Near East.

It must include the American companies that own bananas and other agricultural products offshore.

Mr. GEORGE. Senator, I believe the answer to the question you asked is contained in the statement made by the United States Chamber of Commerce here a few days ago.

Page 7 of the statement of the Chamber of Commerce of the United States made here June 26, 1958, the second paragraph states:

> 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 78 percent of imports of paperbase stocks. In total, United States companies abroad provided 23 percent of our 1955 commodity imports.

Senator BENNETT. I will comment on those when you have finished your statement.

Senator CARLSON. You may proceed.

Mr. GEORGE. Section 6 of H. R. 12591 permits the Chief Executive to modify or disregard a Tariff Commission recommendation in an escape-clause procedure, and requires a two-thirds majority vote in both Houses of Congress to overcome such Presidential action. We are convinced that it is in the national interest that the Congress recapture its constitutional responsibility and enforce its national policy on foreign trade. This would require the elimination of this provision, and in lieu thereof provide that a Presidential modification or nullification of a Tariff Commission recommendation in an escape-clause procedure would not become effective unless approved by either House of Congress. If the Chief Executive's reasons for the proposed action are important to the national interest, he should have no difficulty in obtaining this approval; whereas, as we all know, it would be virtually impossible for any industry to obtain the two-thirds majority of both Houses of Congress as provided in the bill.

Further, we suggest that the term of the extension of the act be limited to 2 years and tariff cuts to not more than 10 percent. There is no real reason why the act should be extended for a longer term since Mr. Dulles and others have stated that it was not expected that this authority would be used in connection with the proposed European Common Market for at least 3 years.

That allows 1 year as leeway after a 2-year extension to get a further extension of this act.

In view of the rapidly changing circumstances of the world, it would seem only prudent that the Congress limit the extension to the shorter term. At the expiration of the 2 years the Congress would have another opportunity to consider the necessity of changes and further extensions in the light of the then-current situation.

As it happens, one of our principal products is on the free list. We have filed an application with the Tariff Commission under the escape clause. The present law would limit favorable action to a recommendation for a quota, section 5, subsections (c) and (f) of H. R. 12591 permits the imposition of a duty as well as a quota in such cases, and we earnestly urge that this section be retained in the bill so that the Tariff Commission may have greater flexibility in its recommendations for remedial action.

We are for international trade. We believe that there can be a healthy and expanding international trade without the sacrifice of domestic industries, and we see no reason why our economy and the diversification of our industries should be prejudiced to achieve temporary gain for exporting industries or for temporary diplomatic or military advantage.

Thank you, Mr. Chairman.

(The attachment previously referred to follows:)

UNITED STATES PRIVATE HARD FIBER CORDAGE AND TWINE MANUFACTURERS

MEMBERS OF CORDAGE INSTITUTE

American Manufacturing Co., Brooklyn, N. Y.
St. Louis Cordage Mills, St. Louis, Mo.
Cating Rope Works, Inc., Maspeth, N. Y.
Columbian Rope Co., Auburn, N. Y.
Edwin H. Fitler Co., Philadelphia, Pa.; New Orleans, La.
Thomas Jackson & Son Co., Reading, Pa.
New Bedford Cordage Co., New Bedford, Mass.
Peoria Cordage Co., Peoria, Ill.
Plymouth Cordage Co., North Plymouth, Mass.; New Orleans, La.
E. T. Rugg Co., Newark, Ohio.
Tubbs Cordage Co., San Francisco, Calif.
Tubbs Cordage Co., Seattle, Wash.
Great Western Cordage Co., Orange, Calif.
Wall Rope Works, Inc., New York, N. Y.; Beverly, N. J.
Whitlock Cordage Co., New York, N. Y.; Jersey City, N. J.

NONMEMBERS OF CORDAGE INSTITUTE

Badger Cordage Mills, Inc., Milwaukee, Wis.
Hooven & Allison Co., Xenia, Ohio.

Senator CARLSON. Senator Bennett?

Senator BENNETT. Mr. Chairman, I would just like to return to the question I raised earlier.

The text of your statement on page 5 certainly gave me the impression that the 23 percent of imports coming from foreign branches of American companies was based largely on manufactured products because in the sentence you say:

> Not only do our export industries recognize their common inability to sell United States produced items abroad, but they are also going a long step beyond, in taking advantage of low-cost foreign labor to manufacture products for export to the United States.

Yet when you take the figures given in the second paragraph on page 7 of the Chambers report all we see are raw materials with the possible exception of paper-based stock, which is certainly only a semi-finished product.

But it is fair to say that if the United States is deficient in every one of the materials listed in this list, we could not exist without imports.

You can argue about crude oil, but certainly there is no tendency, I have heard nobody suggest that we cut out all importation of oil, particularly from the Near East.

We are not completely sufficient in aluminum, in nickel, in copper, in iron, in lead or zinc, and in paper-based stocks.

So I hardly think these figures bear out your contention that our manufacturers are going abroad to manufacture finished products,

and then turn around and ship what I assume to be consumer goods or things of that kind back to the United States.

Mr. GEORGE. Your point is well taken, Senator, but I am sure you do not mean to infer that there are no manufacturing branches of American companies abroad who are exporting manufactured products to this country?

Senator BENNETT. I think they are comparatively insignificant. If you can give us some important examples of large-scale imports of items manufactured in this country; and also manufactured by the same companies abroad for reshipment here, I would be glad to have them.

Mr. GEORGE. Offhand, I can think of the growing trend of small cars that are manufactured by American companies.

Senator BENNETT. That is fine.

Now, what percentage does the total import of foreign cars bear to the total American manufacture?

Mr. GEORGE. I believe the most recent figures I have heard was 7 percent.

Senator BENNETT. That is right.

So when you take out of those cars, cars that are manufactured by foreign-owned companies, it becomes a much smaller figure than that.

Mr. GEORGE. Well, Senator, I am sure you appreciate when you read from this page 7 here that this is not intended to be all-inclusive; these figures they quote. They say, for instance——

Senator BENNETT. The only reason I put them in the record is that when I questioned your figure, you referred me to them.

Mr. GEORGE. Correct.

Senator BENNETT. And I just want the record to show that the 23 percent to which they refer, and which you quote, does not actually represent consumer products manufactured abroad for resale in the United States; but rather, I think, rather substantially represents raw materials that we need that we could not get along without, rather than the other.

Mr. GEORGE. Well, Senator, I agree with your point, with the premise.

As I said, we, in our industry, import all natural raw fibres; we have to.

Senator BENNETT. That is right.

Mr. GEORGE. So that foreign trade to us is extremely important. I do not presume to be an authority on all phases of this question.

All I know is that I work for a company, and in our particular industry, imports and the items that make up about 60 percent of the total volume have grown from 23 percent in 1950 to 65 percent of the total United States market in 1957.

Senator BENNETT. I think there is no question about the seriousness of your problem. But at the same time, since you depend on imported materials, you would not like to see a program of the kind advocated by the previous speaker which would more or less cut off American imports.

Mr. GEORGE. I did not gather that he wanted to cut off American imports. I certainly couldn't endorse that completely; I am sure no one else could.

Senator BENNETT. I have no further questions.

Senator CARLSON. Mr. George, we appreciate your appearance before the committee.

Mr. GEORGE. I thank you for your courtesies.

Senator CARLSON. Our next witness is Mr. W. M. Chapman, director of research for the American Tunaboat Association of San Diego, Calif. Mr. Chapman, will you take the stand and proceed with your statement.

STATEMENT OF W. M. CHAPMAN, AMERICAN TUNABOAT ASSOCIATION

Mr. CHAPMAN. My name is W. M. Chapman. I am director of research for the American Tunaboat Association, of San Diego, Calif. Our association is composed of boatowners whose vessels fish for yellowfin and skipjack tuna exclusively by the livebait method, and is organized as a fishery cooperative marketing association under the laws of the State of California.

A comparison of table 7 of the report by the United States Tariff Commission on tunafish of May 1958 and table 9 of the report of the Secretary of the Interior on fresh or frozen yellowfin, skipjack, and bigeye tuna of May 1958 will show that vessels of this type, fishing out of San Diego, produced 61 percent of the tuna consumed in the United States in 1948, and 33 percent of the tuna consumed in the United States in 1957, the last year of full record.

In our statement before the House Committee on Ways and Means on March 18, 1958, with respect ot the Reciprocal Trade Agreements Extension Act (a copy of which is attached as appendix 1), we dwelt exclusively upon the fact that the Trade Agreements Act as then contemplated would not help us or hurt us because no remedy for our condition was provided in it. We deliberately refrained from making any statement with respect to the efficiency with which the act, in our experience, was administered. It will be the primary purpose of this statement to examine the experiences we have had in getting relief under this act, with a view to providing the committee with a specific example of how a small industry like ours, inconsequential in dollar volume in the gross national product, fares under the act as it is administered by the executive branch of the Government. In order to do this, it is necessary to briefly examine the problem first:

THE PROBLEM

The problem is summarized succinctly in table 1 of the above-cited Tariff Commission study wherein it is shown that—

(a) imports of tuna in all forms (expressed in whole-fish weights) have increased steadily from 26 million pounds in 1948 to 277 million pounds in 1957;

(b) the apparent annual United States consumption of tuna has increased steadily in the same period of time from 355 million pounds in 1948 to 599 million pounds in 1957;

(c) the ratio of landings by American-flag tuna vessels to apparent annual consumption has declined steadily from 92.8 percent in 1948 to 53.9 percent in 1957; and

(d) the ratio of imported tuna to the landings by American-flag tuna vessels has increased steadily from 7.8 percent in 1948 to 85.5 percent.

To indicate that these trends, which have been consistent for 10 years, have not altered this year, I cite these statistics:

(*a*) I am reliably informed that the tuna survey of the Nielsen Co. shows total consumer sales of canned tuna in the United States for the first 5 months of 1958 to have been 15 percent higher than for the same period in 1957 (those for 1957 had been 9 percent higher than those for 1956).

(*b*) I am reliably informed that the actual sales of canned tuna by the members of the California Fish Canners Association in the first 5 months of 1958 were 23 percent higher than for the same period in 1957.

(*c*) The June 19 report (P–120) of the Market News Service of the Department of the Interior shows the total imports of fresh and frozen tuna into California from January 1 to June 14, 1958, to have been 1,100 tons ahead of the same period in 1957, the previous highest year of record.

(*d*) The above-cited report shows the total landings for the domestic bait-boat fleet during this period to have declined by 2,500 tons from the same period in 1957, and by 14,000 tons from the same period in 1956.

PROBLEM OF CANNERS VERSUS PRODUCERS

The weight of this import problem has fallen with diametrically different emphasis on the two primary sectors of the domestic industry, the tuna canners as juxtaposed with the tuna producers (boatowners and fishermen).

Canners: The canners, after having received a severe setback in 1950 and 1951, when the Japanese dumped such an enormous volume of canned tuna in this market that it severely damaged both the American and Japanese canners, have thrived.

The market for canned tuna in the United States has continued the rapid increase that has marked the whole history of the industry. The consumption of canned tuna in the United States, when converted from the Tariff Commission's whole-fish basis to the more familiar standard cases of 48 one-half-pound cans, has risen spectacularly in the past 10 years in this manner:

	Cases
1948	7,000,000
1952	11,000,000
1957	15,000,000
1958 (projected)	16,500,000

To the best of my knowledge, only two of the tuna-canning companies in the United States are publicly held stock companies and issue publicly annual profit-and-loss statements. One of these is the Columbia River Packers' Association, Inc., of Astoria, Oreg., and the other is the Van Camp Seafood Co., of Terminal Island, Calif.

The Columbia River Packers' Association is about the fourth largest tuna-canning firm in the United States. It utilizes substantially more imported tuna in its pack than it does domestically caught tuna. Its reporting year coincides with the calendar year. Its annual report for the year ending December 31, 1957, gives the following tabulation of its gross sales and operating profit for the last 6 years:

Year	Gross sales	Operating profit	Percent profit to sales
1952	$12,529,219	$865,774	6.9
1953	14,368,416	938,353	6.5
1954	15,246,672	1,162,997	7.6
1955	15,062,618	1,187,082	7.8
1956	16,430,175	1,617,491	9.8
1957	18,833,740	1,817,973	9.6

The Van Camp Sea Food Co., Inc., is either marginally the largest canner of tuna in the United States, or marginally the second largest. It utilizes substantially more domestically caught tuna in its pack than it does imported tuna. Its reporting year is from May 30 to June 1. Its annual report for fiscal 1957 will not be released until sometime in August. It does, however, issue public semiannual reports. Its semiannual report for the period June 1 to November 30, 1957, shows a total sales of $24,570,000 for the 6-month period and an operating profit of $1,127,000, or 4 percent on sales. It is generally understood in the trade that the operating profit for this company in the last 6 months of its fiscal year will be shown to be substantially greater than during the first 6 months' reported upon above. This understanding appears to be supported by (1) the action of the company this month in raising its quarterly dividend on common stock from 20 cents per share to 25 cents per share, and (2) the current listing of the common stock on exchanges at $15 per share versus $7 per share of 3 and 4 years ago.

Table 36 of the Tariff Commission report shows, for all tuna canners in the United States a net operating profit of 5.3 percent on canned tuna sales in 1957.

Government statistics covering the processors of food and kindred products in the entire United States in 1957 show the following net profits before taxes on gross sales to have been as follows:

Quarter	Sales	Percent of net profit
1st	$11,368,000,000	4.28
2d	11,773,000,000	4.47
3d	12,358,000,000	5.10
4th	12,496,000,000	4.14

Thus it is clearly evident that in this period of years when the imports of tuna have been increasing steadily in volume the tuna canning industry has enjoyed a rapid and steady increase in its volume, and a rate of profit on its sales which certainly compares favorably with that enjoyed by kindred processors of food in the United States.

The year 1958, which is a recession year for much of United States industry, gives every prospect of being a boom year for the domestic tuna canning industry. If the whole year holds up to the first 5 months, total sales of canned tuna for 1958 will be 15 to 20 percent higher than during 1957, the previous highest year of record. Profit on sales will without a doubt be substantially higher than last year for the reason that there have already been two price rises on canned tuna at the wholesale level this year, and there has beeen no compensatory increase in the price of tuna to the fishermen or in the canner's other costs of production. This is reflected in the retail price of tuna in the Washington, D. C., area where advertised brand, light meat, chunk style tuna was selling at 27 to 29 cents per can last year, and is now selling at 31 cents per can.

Canned tuna has protective tariffs and quotas. Tuna canned in oil bears a duty of 35 percent ad valorem. Tuna canned in brine bears a duty of 12½ percent ad valorem up to 20 percent of the total apparent consumption of tuna in the United States, after which it bears a

duty of 25 percent ad valorem. The quota has never been reached and the higher duty after it has never, thus, been paid.

This tariff protection afforded by the United States Government to the domestic tuna canning industry, however, is by no means as direct, strong, and helpful as the protection afforded to it at the present time by the Japanesse Government.

The export of all canned tuna from Japan to the United States is regulated fully as to price and volume by the Japanese Canned Tuna Export Association, a cartel operating under the supervision of the Japanese Government. This cartel has embargoed the shipment of tuna canned in oil to the United States and has limited the export of tuna canned in brine to definite monthly and annual quotas at regulated "fair-trade" prices. The operation of this cartel, and its companion frozen tuna cartel, in this market are described in our attached letter (appendix 2, 2a, 2b, and 2c) of August 27, 1957, to the Secretary of State in which we asked him to invoke article XVIII of the Treaty of Friendship, Commerce, and Navigation between the United States and Japan and thus abate the harmful effects of these cartels on the tuna trade between the two countries.

Thus the United States tuna canners are almost completely protected from serious Japanese competition in this market by legal protection afforded by the United States Government and extra-legal protection afforded by the Japanese Government. It is little wonder that they look askance at any effort on our part to disturb the status quo.

It is only fair to state that their primary and useful protection is that which comes from the Japanese Government through its canned tuna cartel, and that this is capable of being withdrawn instantly upon the whim of the Japanese (or in retaliation should the domestic tuna canners aid the domestic tuna producers in attaining assistance from the United States Government.)

In this situation the only worry among domestic tuna canners is confined to the large canners who have advertised brands. They look with sharp distaste at the rapid decline now taking place in the productive capacity of the domestic tuna producers because they realize only too well that when they become dependent upon the Japanese for their raw material the Japanese will sooner or later own their brands and their market. They have not quite gotten into the position yet, however, where this worry overcomes their fierce competitive urge to cut each other's throats.

Bait-boat producers: There are three different types of fleets that produce tuna domestically:

(1) The bait-boat fleet that fishes exclusively for tuna, almost exclusively for yellowfin, skipjack, and bigeye tuna, and normally catches about 70 percent of the domestic tuna production;

(2) The purse-seine fleet which not only fishes for tuna but also for sardine, mackerel, and anchovies in season, and ordinarily catches about 15 percent of the domestic tuna production (yellowfin, skipjack, and bluefin tuna; and

(3) The albacore fleet which fishes only for adbacore tuna in season, many vessels of which fish in other fisheries in other seasons, and which ordinarily catches about 15 percent of the domestic tuna production.

The bait-boat fleet, being by far the largest component of the domestic tuna producers in volume of production and being concerned solely with tuna production, reflects most clearly and simply the effects of tuna imports upon the domestic tuna producers. My use of this fleet as an example, for purposes of simplicity of presentation, should not be allowed to cloud the fact that the purse-seine fleet and the albacore fleet have been harmed as much or more in their tuna operations by tuna imports as has the bait-boat fleet. Among the purse-seiners the number of vessels fishing for tuna in this period of years has been reduced from 120 to 45, and among the albacore fleet the number of vessels participating in the fishery has been reduced from about 3,000 to about 1,200.

The physical changes that have taken place in the domestic fishing for yellowfin and skipjack tuna are listed as follows by the Secretary of the Interior in his report published less than a month ago:

(1) A decline of 27 percent in landings from 1950 to 1957;

(2) No overfishing to account for this;

(3) A decline of 30 percent in the number of vessels participating in the fishing from the high point of 1951 to 1957, and a decline of 24 percent in the carrying capacity tonnage of the fleet;

(4) A decline of 25 percent in the price of yellowfin and 28 percent in the price of skipjack from the peak year of 1954 to 1957;

(5) A decline in berths available on bait boats of 27 percent since 1951, and on purse seiners of 50 percent since 1949;

(6) A steady increase in the actual and proportionate share of the United States tuna market held by tuna imports (6 percent in 1948; 39 percent in 1956; 46 percent in 1957); and

(7) More than a doubling of tuna imports since the big year of 1950 when imports broke the United States tuna market.

The other part of the picture is given in table 14 of the above-cited Tariff Commission Report on Tuna Fish, where the owner's net profit or loss before taxes is given as follows for recent years:

	Percent
1953	—1.6
1954	4.0
1955	.1
1956	1.1
1957	—3.7

A comparison of these profits with those cited above for the Columbia River Packers' Association, and in table 36 of the Tariff Commission report for all canners, quite aptly summarizes the differing views of the tuna-canning industry and the tuna-producing industry to tuna imports. The former is thriving; the latter is going out of business as rapidly as capital can disengage itself from vesssel ownership.

The Secretary of the Interior, in his report cited above, ascribes the downward trend in production and loss of markets to these primary factors:

(1) Declining ex-vessel prices;

(2) Increasing competition from imports of frozen tuna, canned tuna in brine, and frozen cooked tuna loins and disks;

(3) Differing tariff rates on the various tuna import categories;

(4) Growing use by canneries of imported frozen tuna;

(5) Increased costs of United States vessel operations;

(6) Higher costs of construction of United States tuna vessels; and

(7) Increasing insurance cost for United States tuna vessels.

He also notes that the Japanese high-seas tuna fleet has nearly doubled its size since 1951 under the stimuli of subsidies by government on the construction, rebuilding, and insuring of vessels, as well as long-term operational loans at low rates of interest.

It is a matter of prime importance to notice from the present and former reports of the Tariff Commission on tuna fish that the profit-and-loss situation of the tuna-bait boats has had a 1-year periodicity since 1950. Profits have been highest in the even-numbered years and losses have been greatest in the odd-numbered years. The reason has been primarily political.

In 1950 there was heavy dumping of tuna canned in oil in the last 6 months of the year and this broke the market in 1951 with consequent losses to us. The House of Representatives passed a temporary 3 cents per pound tariff on frozen tuna in 1951 so near the end of the session that your committee could not act upon it.

The Japanese reacted to this by restricting the volume and controlling the price of tuna exports to this country temporarily in order to create a sufficient illusion of prosperity in our industry that the Senate would not enact the House bill. They did give us a breathing spell which brought our earnings back into the black a little way; the legislation was defeated.

Immediately the legislation was defeated in mid 1952 the Japanese let down the bars again and the pent-up flood hit us and as a consequence 1953 was again a loss year for us. Toward the end of 1953 new legislation was introduced on tuna in ports into the Congress.

This time the Japanese abated the flow of canned tuna, apparently under the correct assumption that if they got the domestic canners on their side the domestic tuna producers would not have sufficient political push to get the bill through the Congress. 1954 put us again in the black, and the bill never advanced in the Congress.

In 1955 the flood of imports broke our prices by 23 percent, laid up the fleet and was a ruinous year to us. This time, instead of trying legislation we implored the executive branch of the Government for help as hard as we could. This was completely ineffective but it did cause the Japanese to draw back a little and we barely edged into the black again in 1956.

In 1956 the Japanese frozen tuna cartel seriously misjudged the economic forces at work, suffered severe losses on frozen albacore, and finally had to dump their surplus on this market at distress prices in the first half of 1957. This knocked us off our feet again in 1957 when we suffered the worst financial losses yet.

Having now had some years at this business we began preparing for the next legislative campaign with better care and foresight. The Japanese also have had some years of experience at whipping us so they also have engaged in their counter activities with greater care and skill. They now have their entire tuna trade with this country tightly controlled by the two cartels under Government supervision (the controls have had loopholes of greater or less size in the previous years).

The cartels this year cut off tuna canned in oil for this market completely. In the early winter—at the direction of the Japanese Gov-

ernment and we have reason to believe upon the suggestion of the United States Government—they prohibited the export of cooked tuna loins to this country (beginning last month they began taking orders for cooked loins for delivery after the close of this session of Congress). They closely regulated the flow of tuna canned in brine to this market, and they raised the check price on the f. o. b. Tokyo price of both yellow fin and albacore.

In the past month they have brought about what we have reason to believe is the cleverest whizzer yet. All of a sudden there has turned out to be a shortage of albacore in Japan and as a consequence the price of albacore has been rising sharply and steadily in Japan, there is great outcry among canners on both sides of the Pacific about the dire albacore shortage and the fiercely high prices.

We would not be so cynical about this particular albacore shortage if we did not know these things:

1. In 1956, the Japanese summer albacore catch also was moderate and the price high, but at the end of September that year the frozen-tuna cartel suddenly found 14,000 tons frozen at warehouse that had been there since June. It turned out that the cartel had been successfully suppressing the news of this volume of frozen albacore for 3 months to keep it from breaking the market.

2. We have legislation before this Congress and this Congress will adjourn before the end of August.

However, this being an even numbered year we have the likelihood of breaking even this year or even getting into the black a little. We nevertheless dread the thought of the odd numbered 1959 ahead of us when, without the passage of this legislation, H. R. 9237, we will be hit with the pent-up flood of Japanese exports to this market like in 1951, 1953, 1955, and 1957.

Each cycle the profit we are allowed in the even numbered year is less than the cycle before and we are fewer in number; each cycle the loss we suffer in the odd numbered year is greater than that of the preceding cyclic year.

To sum up this section, the problem is that the Japanese are driving the United States tuna-fishing industry out of business while they cherish and support the United States tuna-canning industry so as to avoid the political danger of the canners supporting our legislative efforts. Obviously, the strategy is to take us over first, after which the canned-tuna cartel can readily reduce the American tuna-canning industry to submission.

THE REMEDY

The remedies to a situation of this sort are obvious and they are two in number. They are obvious because one or both are in steady use by all of the major fishing countries of the world including Japan, and excepting the United States only. On the one hand the domestic producer can be protected by controlling the flow of imports whether by tariffs, quotas, or combinations of the two.

On the other hand the domestic producer can be protected by giving him a subsidy that will equalize his cost per unit of production with that of his foreign competitor. This can be done by direct subsidy per unit of production (the cheapest way) or by giving him a number of odds and ends of aids, grants, etc., that are politically more palatable to a people that resent outright subsidization (this way is:

the more expensive, and less productive way that tends, by reason of Parkinson's law, to aid the bureaucracy rather than the producers).

I know of another way to meet such a problem and still maintain the United States standard of living.

The unfortunate situation of industries like ours which are being driven out of business by imports is that on the one hand the United States Congress appears to be dead set against the adoption of new subsidies to deal with such problems, and on the other hand the executive branch of the Government seems to be dead set against tariffs to deal with such a situation, and will not tolerate the thought of a quota at all as being against the will of God and the interests of society.

And yet the Congress for a generation and the executive branch, through administrations of both parties, have iterated and reiterated that the trade policy of the United States was to encourage the increase of foreign trade consistent with not bringing serious injury, or the threat of serious injury, to a domestic industry. It will certainly not be necessary for me to recite to this committee the numerous statements of Presidents, Secretaries of State, other administration officers, and reports of committees of Congress, and citations of law that thoroughly establish this as being the set policy and law of the United States of America.

The plain trouble of course is that stated law and policy on the one hand and administration of law and actual policy on the other are in pretty direct conflict on this subject and have been for a number of years. Any small industry like ours that attempts the voyage between this Scylla and Charybdis is in for more trouble, risk, expense, and disappointment than Ulysses ever dreamed of. We were not ignorant of this or novices in this sort of voyaging when we started the present campaign. The attached letter from Mr. Lester Balinger to the Department of Labor (appendix 3) quite adequately describes the previous experiences which the tuna producers have had along this line.

The economic experiences of 1955 were so chilling to us, however, that we determined to take one last try before we were dead or too weak to move. Nineteen hundred and fifty-five had proved to us two things: (1) We could not land tuna in the United States as cheaply as the Japanese could, and therefore, barring assistance from the United States Government, we were going out of business either soon or at a rate chosen by the Japanese, and (2) we could expect not one shred of help, expression of sympathy, or intelligent investigation of our problem by the executive branch of the Government as it was then constituted.

The only recourse left to us was to again approach the United States Congress with legislation aimed at correcting our problem. There we knew we would face the united, energetic, and skillful opposition of the freetraders who by now were scattered all through the executive branch of the Government. To have any chance of success at all we would have to have an airtight case, based upon evidence created by the Government itself, and have exhausted every other avenue of relief available to us.

We started first to exhaust the remedies that had been proposed by the six-department task force which for months had been studying

the tuna problem. In similar letter's to Senator Kuchel and Congressman Bob Wilson presidential assistant I. Jack Martin had listed 5 or 6 ways in which the administration was willing to help the industry help itself. These were all farcial to anyone who knew the situation, but we knew we had to follow out each of these suggested remedies to its ultimate conclusion or this would be held against it. We did so and reported on each, as we completed the checkout, in individual letters to President Eisenhower, copies of which are in the committee's files.

Two of these blind alleys we found particularly amusing (1) the task force said the Small-Business Administration would give first priority to applications for loans by our vessels. It turned out, after some months of stalling, that the Small-Business Administration would not loan one of our vessels a plugged nickel, on the good and sufficient grounds that it could find no evidence that the loans could be repaid out of earnings, (2) the task force had said the Department of State would examine into the possibility of getting the Japanese, under GATT commitments, to raise the substandard wages of Japanese tuna fishermen. We all, of course, knew that while the Japanese tuna fishermen only averaged $100 per month, this was better than the pay rate of college professors in Japan and about twice that of skilled workers ashore. The Department has never released the results of its study.

Beginning with testimony before the Senate Committee on Interstate and Foreign Commerce in November 1955, we initiated a reorganization of the fisheries functions of the United States Government. Although the executive branch, and particularly the Department of State, opposed this legislation, it was adopted by the Congress and signed into law by the President on August 7, 1956.

Section 9 (b) of the Fish and Wildlife Act of 1956 authorized the Secretary of the Interior, upon the request of a segment of the fishing industry affected by the imports to make a report to the President and Congress on:

(1) Whether there has been a downward trend in the production, employment in the production, or prices, or a decline in the sales, of the like of directly competitive product by the domestic industry; and

(2) Whether there has been an increase in the imports of the fishery products into the United States, either actual or relative to the production of the like, or directly competitive product produced by the domestic industry.

The next week after the bill was signed by the President our association and the Fishermen's Cooperative Association of San Pedro, Calif., asked the Secretary of the Interior to make such a report with respect to frozen yellowfin, skipjack, and bigeye tuna. This study proceeded for over a year.

In the late fall of 1956 we also brought an action with respect to frozen Albacore dumping before the Department of the Treasury. This was an open-and-shut case where the members of the frozen tuna cartel dumped 14,000 tons of tuna on this market at a loss to themselves of more than $100 per ton. We had lavish documentation from translated Japanese explanations of the matter. But after 5 months' investigation the Department of the Treasury decided that within the terms of the Antidumping Act there has been no dumping. The

documentation of this case will be found in your hearings on the Antidumping Act.

The economic situation of 1957 in the tuna fishing industry as a reaction to this albacore dumping in 1956 was the worst we had had it yet. The albacore producers initiated an escape clause proceedings before the United States Tariff Commission. They were turned down on the grounds that there was nothing the Tariff Commission could do for them by reason of the fact that if they closed down on frozen albacore the commodity would only divert into frozen cooked loins, or tuna in brine, or otherwise.

Upon following this up we were told flatly that there was nothing that the Tariff Commission could do under existing legislation to rectify the problems of the tunafishing industry. There were so many categories of tuna imports under so many tariff rates, the biggest item (frozen yellowfin, skipjack, and bigeye) was not a concession item or dutiable and, therefore, did not come within the purview of the escape-clause proceedings, the raw fish itself was so capable of being transferred around among these commodities (that is, had so high a degree of fungibility), that the only recourse we had was the adoption of specific tuna legislation. Dr. Brossard so testified before the House Committee on Ways and Means in February 1958.

The Tariff Commission was not even in a position, staffwise, to bring up to date the 1952 cost of production study on tuna that your committee had then ordered and would not feel justified in doing so without further specific instructions from you. These instructions you were kind enough to give in the form of a resolution on August 20, 1957. The Tariff Commission began its renewed study of our problem.

In order to further stimulate the reporting machinery of the executive branch of the Government, preparatory to legislative action, Senators Magnuson and Kuchel cosponsored the Tuna Import Act of 1958, and introduced it in the Senate before the summer recess in 1957. Congressmen King, Wilson, Utt, and Tollefson introduced similar and identical bills in the House of Representatives. The House Committee on Ways and Means and your committee, of course, sent these bills to the appropriate departments of the executive for their comments last August as normal routine. It is now 10 months later and neither committee has received a report from any branch of the executive on this legislation.

The United States Tariff Commission went forward energetically with its study. Its report was delayed by 2 months but it finally was completed and made public in due course after completion. This study did not bear directly upon our problem. Being a direct continuation of studies initiated under the trade conditions resulting from the canned tuna dumping of 1950 it was out of tune with the trade problems of today, when it is tuna products that were not then in international trade which are causing the trouble in the market. Nevertheless it was a valuable study and contributed materially to the public and governmental knowledge concerning our business.

Furthermore, it had one prime and necessary virtue. With it published so very recently the Department of State could not say as it had done in 1951: "Let us not take hasty action on this legislation; let us wait until the Tariff Commission has a chance to study the alleged facts." That study is done.

With the report of the Department of the Interior the situation was quite different. The study bore directly upon our problems. Since we knew what the facts and figures were and we knew that the men on the technical level who were doing the actual work were able, concientious, and above all intellectually honest, we knew what the answers would be.

This study had been progressing since August of 1956. Since this is the substantive agency on fisheries in the Government the technical people who had the work in hand were already thoroughly knowledgeable on the subject when they began. In January 1958 we were told that the study was substantially completed. Since we knew that the Government import statistics are always about 2 months behind, and that the Congress would be considering tuna legislation in the late spring, we suggested that the completion of the report be delayed until the full 1957 import statistics were at hand so that the study could be complete to January 1, 1958. We were told that this would delay the completion of the report until March 15, but since we were the people who asked for the report in the first place if we were not worried about the delay it was not only satisfactory but preferable to them. Subsequent information satisfied us that the report was in fact completed and ready for distribution on March 15.

But April 15 came and the Interior report was not out; then May 15 came and the same was true. In this interval we learned from our opponents, via trade rumor channels, that the report was buried and never would come out. We began digging, prodding and prying. Sure enough somebody in the Department of State had got wind of the report, was deathly afraid its publication would destroy Japanese-American relations, and had had it buried. First they had wanted it referred to the Tariff Commission so it could be used as background material for that report; then they had just wanted it kept quiet; and finally they had succeeded in getting it transferred to the Bureau of the Budget, that great burial ground for legislative reports.

But this was not a legislative report, nor did it deal with legislation. Accordingly it was outside the purview of the Bureau of the Budget. If the Bureau of the Budget had the duty of reviewing and censoring all of the technical reports issued by the agencies of the United States Government it would need a considerably larger staff than it has, and if it had such a duty we would have a considerably different type of Government than we are supposed to have.

We pointed these things out. The Bureau of the Budget agreed that it had no business having the report there and sent it back to Interior. There it still rested and we got reasonably well irritated. Finally we learned that the Department of State had requested at least that the report not be made public until after the Japanese elections because, apparently, the Kishi government might lose out.

This was so ridiculous as to be humorous, but we were perfectly agreeable. As a footnote to history it may be noted that whereas the Socialists in Japan had been expected to pick up 15 or 20 extra seats in the Diet they only gained 3. We would like to have this election victory recorded in history, as a tribute to a bunch of American tuna fishermen who, in self-abnegation agreed to an additional 3-day delay in the public release of the Secretary of the Interior's report on frozen yellowfin, skipjack, and bigeye tuna. What a farce.

So 67 days after the completion of the report it saw the light of day and here came the real amusing stroke. It did not contain any recommendations at all. It was a bare and dry, albeit crystal clear and readable, recital of statistical facts bearing directly to the criteria listed in section 9 (b) of the Fish and Wildlife Act of 1956. Had there not been such a fuss made about suppressing it, it would have got no more attention than the next statistical report issued by a Government agency. It did not compare in completeness, scope, or adequacy with the 1953 report of the same agency on the same problem, which had a full set of recommendations (including the necessity of equalizing tariff rates on all tuna products), and which fell with a dull thud when it was published as a normal routine Government technical report in 1953.

But the wails of anguish from our opponents was pitiful. You would have thought that their throats had been cut. A word about those opponents might be of interest. Among them, aside from the excellent work of the Japanese Embassy staff (who of course have free access to all our governmental agencies and are particularly welcome at the Department of State), are three able law firms hired by the Japanese. One represents the Japanese Export Trade Organization (the semigovernmental trade agency), a second represents the Japanese Canned Tuna Export Association (the canned tuna cartel), and the third is hired by the Japanese Frozen Tuna Export Association (the frozen tuna cartel).

In addition a brandnew trade association of American canners who import most of their raw material from Japan sprang up suddenly last month in southern California, having no other discoverable function or aim than the defeat of the Tuna Import Act of 1958. And then we learned that the Japanese who have been dickering through the United States Government with the California Fish Canners Association over the establishment of a joint advertising fund for canned tuna, had made a new offer. Instead of requiring matching funds, the Japanese were prepared to give that association $400,000 for that purpose to be used at the discretion and initiative of that association.

We are aghast, if not dismayed, by what seems to us to be a plethora of able Japanese representation against us. We are a very small group of very small-business men and plain fishermen. We have no money for hiring lawyers of any sort in Washington to help us, or anyone else for that matter. We would not have the slightest idea how to hire somebody to represent us in Japan if we had the money. We had thought that an efficient Embassy and half a State Department would have been sufficient for the Japanese to whip us with, without this added expense.

Having got the technical reports out of the Tariff Commission and Interior we still did not have reports out of any agency on the Tuna Import Act of 1958, and we still do not have. Simple inquiry elicited the response some weeks ago that the Department of the Interior, Department of Labor, Department of the Treasury, and the United States Tariff Commission had their reports into the Bureau of the Budget and they were generally "favorable." The Bureau of the Budget would not release them, however, because it had been informed

by the Department of State that its report would be unfavorable. The same was true of the Department of Commerce.

With respect to the Department of Commerce we were somewhat puzzled. Pursuant to the Fish and Wildlife Act of 1956, the functions dealing with foreign commerce and policy relating to fish formerly in the Department of Commerce, was transferred to the Department of the Interior this winter, and the Department of Commerce not only has no fishery functions left, but it also has no fish specialists left. This contradiction, however, was elucidated to us in this fashion: The Department of Commerce had, with the Department of State, joint responsibility for lobbying through the Reciprocal Trade Agreements Extension Act and there might be a relationship between that and our legislation. This seemed about as sensible to us as the relationship between the publication of Interior's tuna report and the election of a Socialist government in Japan, but nevertheless Commerce's report was not forthcoming.

With respect to the Department of State, the situation was quite different. Our Japanese opponents were working around us like a cooper works around a barrel. All American industry is nasty at the Department of State, because it keeps the standards of living in the United States higher than the rest of the world and this not only embarrasses the Department in dealing with other countries, but is the root source of a great deal of their problems. American industry that competes with foreign industry in the United States market is unpatriotic and industry that competes in this market with Japanese industry is probably plotting to throw the Japanese into the Communist camp—as if the Japanese were stupid enough to throw their standard of living into the melting pot with China and the rest of Asia.

Above all, we tuna producers seem to be anathema to the Department of State. We will not die and we will not stop competing. We do not have so many boats left and we only have half the market left. But those American fishermen who are left in the tuna fishing are a pretty tough, hardy, and efficient lot. We do not intend to get run further out of business by anyone, if there is anything humanly possible to do to prevent it. We have had enough experience with the Department of State in the past 10 years not to expect a fair shake from them. If there was a bill on tuna before the Congress upon which they would give a favorable report, we would view it with suspicion.

The tactic of the Department of State in this instance was reasonably transparent. It is generally known that the Ways and Means Committee does not act on legislation before it, normally, until it has received at least some departmental reports on the bill. Departments of the executive have no reports for committees until they have been cleared by the Bureau of the Budget. The Bureau of the Budget normally does not clear any departmental reports on legislation until all of the affected departments have responded. In particular it does not so clear reports if it knows that an unfavorable report is on the way. It was late June and the Congress would rise in mid-August. Clearly the best opposition tactic the Department of State could use was to stall for time and do nothing.

Accordingly the Department of State informed the Bureau of the Budget that its report would be adverse and then did not submit it. With no exertion it stopped dead these particular wheels of Government. This was in late May and it is now late June, and within seven weeks the Congress will be home or very nearly there.

We naturally exerted every effort to get the wheels of Government turning again. Finally this week the Department of Commerce and the Department of State reports reached the Bureau of the Budget and the wheels of that organization are ready to start turning again, if the spirit moves and the Department of State has not got a spoke in a wheel somewhere farther up that we have not yet discovered.

Mind you the Departments of State and Commerce have not reported to the Bureau of the Budget on the "Tuna Import Act of 1958." They have only reported on Interior's report on that act. Where this leaves us we simple fishermen are unsure, except that if the Congress should enact this quite innocuous bill (which is not even intended to cut back Japan's tuna trade with the United States), they will still have a clear, uncommitted position to recommend a veto to the President.

We have gone to this extent in describing our recent experiences in order to demonstrate to you why we have the position on the Reciprocal Trade Agreements Extension Act that we hold.

We have precisely no selfish interest in whether that act in its present form is passed unanimously or defeated by a standing vote of the entire Congress.

So long as the executive branch of the Government has sole discretion to veto recommendations of the Tariff Commission the so-called safeguards provided in this bill will remain a hollow mockery as they have been in the past. The provision enabling the Congress to override the President's decision by a two-thirds vote of both Houses does nothing of a practical nature to change this situation.

The reason for this that the Department of State absolutely dominates foreign policy in this Government and it always will. If foreign trade is made an integral part of foreign policy as this bill makes it, with the Congress maintaining no practical brake on its exercise, then the Department of State will dominate foreign trade as absolutely as it dominates foreign policy no matter in what department of government titular control of foreign trade policy may reside.

The Department of State is in about the same position with its constituency as a Congressman who has to stand for election every day. Its constituents are 86 foreign sovereign States all of whom have been taught to aspire to American standards of living and to do this by earning, or otherwise getting, American dollars. This situation cannot be changed in generations.

The experiences we have related indicate the ends to which the Department of State will go to prevent any impediment being placed on the trade of one of its constituents in this country regardless of injury to a domestic industry. That will not change until the Congress decides to protect its own constituency at least to the extent of getting an even break with the constituents of the Department of State.

This bill does not do that.

(Mr. Chapman's statement before the House Ways and Means Committee follows:)

APPENDIX I

STATEMENT OF THE AMERICAN TUNABOAT ASSOCIATION

My name is W. M. Chapman. I am director of research of the American Tunaboat Association which is a group of boatowners organized as a cooperative marketing association under the laws of the State of California. Our members produce about 40 percent of the tuna consumed in the United States and about 60 percent of the tuna produced by American fishermen.

In repeated appearances before this committee over the past 8 years we have described the progressive decline of the domestic tuna fisheries under the administration of the Reciprocal Trade Agreements Act and the causes of this decline. The two most recent such appearances were on September 25, 1956, before the Subcommittee on Customs, Tariffs, and Reciprocal Trade Agreements and on July 30, 1957, before the full committee with respect to the revision of the Antidumping Act. In order to conserve the time of the committee, I would like to submit for the record three documents.

1. Our statement to the United States Tariff Commission on December 11, 1957,

2. Our letter to President Eisenhower of March 4, 1958, and

3. Our supplementary statement to the United States Tariff Commission of March 17, 1958.

These documents describe quite fully the changes which have taken place in the tuna fishing industry with respect to imports since our last appearance before this committee.

The Trade Agreements Act has the purpose of implementing the often stated policy of increasing foreign trade as fully as possible consonant with not creating serious injury or the threat of serious injury to a domestic industry. We fully subscribe to this policy.

The Trade Agreements Act has provisions which are purportedly for the purpose of providing safeguards against serious injury or the threat of serious injury to an American industry through the increased imports that the policy generates. The extension act now under consideration purports to increase those safeguards. Without making any statement with respect to the efficiency of the administration of these safeguards, we simply state that they are not available to us.

The reason that these safeguards are not, and have not been, available to us is this. There are six primary tuna commodities recognized in United States custom law. They are treated under that law in five different ways. The original commodity, the raw tuna, can be quite freely switched around among these commodity classes. Accordingly, no control can be had on any one tuna commodity without control over all.

The largest of these products, by volume, does not come within the purview of the Trade Agreements Act at all because it is on the free list and is not the subject of a trade agreement. Three of the other products have been devised to exploit loopholes in the trade law and not in response to market demand. If an escape-clause proceeding is successfully brought against one or more of these products and quotas or embargoes established, it would have no effect on relieving the injury to the tuna-fishing industry from imports because the tuna would simply come in in another form. And if all five commodities that are subject to a trade agreement are stopped the tuna will come in as the sixth form which is not under a trade agreement.

This situation is adequately analyzed in testimony being submitted today by Mr. Balinger, and requires no further elaboration by me.

This situation is fully recognized by the administration. In 1955, because our situation had grown progressively worse, domestic tuna producers asked the executive department to establish a tuna quota, either by executive action or by negotiated agreement with the principal producing country. The White House established a Tuna Task Force to examine the proposals composed of representatives of the Departments of State, Defense, Interior, Commerce, Labor, and Treasury. The report of the task force as transmitted in a letter from Presidential Assistant I. Jack Martin to Congressman Wilson and Senator Kuchel in a letter of July 28, 1955, read in part:

"Under existing law, the only way in which a quota could be imposed by the President by proclamation would be pursuant to an escape-clause proceeding under the Trade Agreements Extension Act. This approach is *unavailable*, however, because, as you know, there is presently no concession on imports of fresh or frozen tunafish in any of this country's trade agreements. An escape-clause proceeding before the Tariff Commission may not, as you are aware, be initiated unless there has been such a concession." [Italic supplied.]

This situation is fully recognized by the United States Tariff Commission. In 1956 and 1957, the Japanese frozen-tuna cartel dumped about 15,000 tons of albacore tuna on this market at $100 to $125 per ton less than their cost of production. This completely demoralized the markets of all domestic tuna producers in the United States. We were as fully injured as the albacore producers, because the dumped albacore after canning can be, and is, sold as either white-meat or light-meat canned tuna. We could not initiate an escape-clause action ourselves, however, because we do not produce albacore in substantial amounts. Our yellowfin skipjack tuna production is not the subject of a concession in any trade agreement.

The domestic albacore producers did ask for an escape-clause proceeding last fall, however. Mr. Stewart will describe their purpose and the reply they had from the Tariff Commission. They were turned down not because there was no injury, but because the Tariff Commission could not remedy the injury under the Trade Agreements Act. If they restricted the frozen albacore, it would simply come in in other forms.

The Chairman of the Tariff Commission, Dr. Brossard, testified quite clearly as to this situation in his answers to committee questions during the second week of the present hearings.

Since no relief to the tuna-import problem can be derived from the Trade Agreements Extension Act, we asked the Executive to negotiate a tuna-quota agreement with Japan covering all tuna commodities. The Tuna Task Force, reporting through the I. Jack Martin letter referred to above, said:

"The departments * * * also examined the possibility of an executive agreement between the United States and Japanese Governments as to the amounts of fresh and frozen tunafish that Japan would ship into this country. The difficulty with this possibility is that it would be in direct conflict with existing international commitments from which the United States derives important advantages * * * the departments gave this possibility every test, but concluded, in the last analysis, that it was not feasible."

In December 1957, high officials of the Japanese Government suggested to our representatives the desirability of a tuna trade agreement between the two Governments covering all forms of tuna imports. We told them that, while we had no particular aversion to this approach, our plain understanding was that the executive branch of the United States Government would not be agreeable to it. We have, as a matter of fact, brought this again to the President's attention in our letter of March 4, 1958.

The Japanese industry has repeatedly intimated that a satisfactory private agreement could be worked out between the 2 industries to govern the tuna trade between the 2 countries. We have, as repeatedly, replied to them that we could not and would not even discuss the matter with them because of United States domestic law respecting restraints on trade, and that such negotiations are the prerogative of governments only, under our law.

The Japanese have from time to time over the past 6 years initiated voluntary controls with respect to both price and volume of tuna products coming to the United States. The effect of these controls has been very damaging to us, has resulted in the total dollar income to Japan from tuna exports decreasing even though volume increases, and has caused repeated injury to each segment of the Japanese tuna industry. We have discussed these voluntary unilateral controls and their harmful effects on the trade in some detail in our letter to President Eisenhower of March 4, which is a part of this statement. We have asked him to abate these harmful effects by invoking article XVIII of the Treaty of Friendship, Commerce, and Navigation between Japan and the United States.

There appears to be no remaining doubt in the executive branch of the Government or in the Tariff Commission that a serious problem exists in the domestic tuna-fishing industry, that this problem arises from imports, and that it cannot be resolved by existing United States law or the extension of the Trade Agreement Act now before the committee.

After a detailed examination and exploration of all possible avenues of relief suggested to us, or discovered by us, we have come to agree with Dr. Brossard that the only way to resolve this trade problem is specific legislation enacted by the United States Congress embracing all tuna commodities.

This legislation might take the form of direct operational subsidies. This has, apparently, worked with some satisfaction in the wool-producing industry and in the merchant marine, both of which industries had international competitive problems very similar to ours. We have suggested such legislation for the consideration of the President but we have not even asked any Congressman to submit it before the Congress because our preliminary, but rather thorough, investigation of the matter in the Executive and in the appropriate committees of Congress leads us to think that neither the Executive nor the Congress is likely to approve such legislation.

The remaining alternative is comprehensive legislation governing the trade in all tuna commodities by quota and tariffs. Such legislation is before your committee in the Tuna Import Act of 1958, introduced separately by Congressmen King, Utt, Wilson, and Tollefson.

We are thoroughly in support of this act. Even more important we thoroughly support the remarks made by Congressman King when he introduced the legislation on August 18, 1957. In those remarks he plainly states the philosophy of the bill:

"Thus this bill does not intend to reduce the imports of tuna from Japan or from other countries as to actual volume. It accepts the status quo with respect to volume.

"Nor does this bill attempt to restrict the share of the domestic tuna market that is now enjoyed by the foreign producers."

We agree with Mr. King that it is not necessary to cut back the volume of tuna imports in order to solve the problems of the domestic tuna fishing industry. The market for canned tuna in the United States is increasing rapidly enough that if imports are stabilized as to volume, the tariffs equalized on all products, and the ability of the two Japanese tuna cartels to manipulate this market is limited, then we will be able to pull out of this steady decline that has been getting more rapid each year since 1950.

We recommend the Tuna Act of 1958 most heartily to your consideration and point out once more that it is only by specific legislation of this nature that the Congress can, with respect to our industry, implement the policy it stated for fisheries in the Fish and Wildlife Act of 1956, i. e., "stimulating the development of a strong, prosperous, and thriving fishery * * * industry."

The Trade Agreement Extension Act will not help us, and no remedy for our conidition is provided in it.

APPENDIX 2

AMERICAN TUNABOAT ASSOCIATION,
San Diego, Calif., August 27, 1957.

Hon. JOHN FOSTER DULLES,
Secretary of State,
Department of State, Washington, D. C.

MY DEAR MR. SECRETARY: Article XVIII of the Treaty of Friendship, Commerce, and Navigation between the United States and Japan which became effective October 30, 1953, reads as follows:

"1. The two parties agree that business practices which restrain competition, limit access to markets or foster monopolistic control, and which are engaged in or made effective by one or more private or public commercial enterprises or by combination, agreement or other arrangement among such enterprises, may have harmful effects upon commerce between their respective territories. Accordingly, each party agrees upon the request of the other party to consult with respect to any such practices and to take such measures as it deems appropriate with a view to eliminating such harmful effects."

Pursuant to basic law in Japan established in 1954, and amended in May 1957, the export trade in tuna to the United States is confined to two cartels governed and controlled by the Ministry of Agriculture and Forestry and the Ministry of International Trade and Industry in consultation with the Foreign Office.

The cartel which controls the export trade in canned tuna is the Japan Canned Tuna Export Fishery Association. Its sales agency is the Tokyo Canned Tuna Sales Co., Ltd., appointed by members of the association. Since its

organization some years ago all exported canned tuna from Japan has passed through the Tokyo Canned Tuna Sales Co., whether that tuna was processed by a member of the Japan Canned Tuna Export Fishery Association or was processed by an outside firm not a member of the association. For several years all of the exports handled by this firm went through eight exporting firms. This was changed by the appropriate Ministry in the spring of 1957 to 19 export firms.

The cartel which controls the export trade in frozen tuna is the All Japan Frozen Marine Products Export Association. Like the canned tuna cartel, this cartel organized a sales company to handle its business in 1956 known as the Frozen Tuna Sales Cooperative Co. Errors in business judgment resulting in substantial economic losses by the members of the association led to a reorganization of the members of the association into 12 firms and the abandonment of the sales company early in 1957. The 12 firms organized the Cooperative Sales Business Liaison Committee, which consists of an export committee and a raw fish planning committee. The production, consignment, and export sales of frozen tuna in Japan is now under the full control of the business liaison committee of the All Japan Frozen Marine Products Export Association.

Under present law these two export fishery associations are empowered to do these things:

1. Make loans to members.
2. Receive funds for use of members.
3. Store, transport, inspect, and carry out the business of supplying raw materials to members.
4. Make purchases of not only secondary goods for its members but also raw materials.
5. Make necessary contractual obligations with exporters, fish traders, and their groups.
6. Establish the quantity of goods each member produces and sells.
7. Establish the method of manufacture, the time of manufacture, the quality, the quantity in each grade for each member.
8. Establish the quantity to be shipped, the method of shipping, and the time of shipment of each member's products.
9. Establish the sales methods, sales time, sales prices, as well as sales quantity used by each member.
10. Restrict the number and kind of manufacturing installations to be built, operated, and maintained by each member.
11. Handle on consignment the products of firms not in the association, all of which must be handled through the association.

It should be noted that under the revisions of law adopted in May 1957, all fishing vessels in Japan capable of refrigerating their catches are considered to be manufacturers and come within the purview of these associations. The owners of the 117 vessels affected now have under contemplation the formation of a cartel of their own. The Japanese Fishery Agency has not yet given its permission to them to do so.

In doing these things the appropriate association must notify the Ministry of Agriculture and Forestry of the details of the plan 20 days before it is to become effective. The Ministry may approve or disapprove the plan within that 20-day period. If it does neither the plan goes into effect, with the effect of law, at the expiration of that period.

Over the past several years the operations of these Japanese Government cartels in their manipulations of price and volume of the various tuna commodities exported by them to the United States have had the harmful effects upon commerce between their respective territories which the two nations contemplated in the above-cited article from the treaty of friendship, commerce and navigation. Should it be desired by the Department, we could make an exhaustive study of the harmful effects that have resulted not only to our industry but to the Japanese industry and the commerce in tuna between the 2 countries arising from the vacillating restraints placed by the Japanese Government through these twin cartels on the trade in tuna with the United States. However, for present purposes we will cite only the following 2 examples:

1. In April 1956, the All Japan Frozen Marine Products Export Association put the sales of frozen tuna to the United States in the sole hands of the Frozen Tuna Sales Cooperative Co. A detailed accounting of the financial fiasco that ensued, and its effects in this market to those dates, have been described fully in letters of May 27 and July 15, with attachments, to the Honorable Jere Cooper, chairman, House Committee on Ways and Means, of which you have previously been supplied copies.

In essence the sales company misjudged the albacore market in the United States, attempted for some months to support an artificially high price for frozen albacore, and then finally had to dump 14,000 tons of frozen albacore on this market at something more than $100 per ton less than their actual cost of production.

Results which have flowed form this dumping action so far are (*a*) depression of the ex-vessel albacore price in Japan this summer to about half the level of the previous summer; (*b*) depression of the buyers' label market for canned tuna in the United States by about $1.50 per case which has already resulted in a $1 cut in Japanese prices on their tuna canned in brine; (*c*) depression of the United States ex-vessel price on albacore to $280 per ton versus the $375 per ton price at the same time last year; (*d*) depression of the United States ex-vessel price of bluefin from its last year level of $260 per ton to the present price which is vacillating between $200 and $230 per ton; (*e*) depression of the United States ex-vessel yellowfin price from $270 to $230 per ton, and skipjack from $230 to $190 per ton (these latter prices are $120 per ton lower than those obtaining 24 months ago); (*f*) and a lay up of the domestic tuna clipper fleet for over 40 days for lack of market. It is anticipated that further breaks will come in the canned tuna market price structure as a logical economic effect of these factors. This will react disadvantageously to the industries of both countries.

Secondly, the Japanese Government and the Tokyo Canned Tuna Sales Co. have prohibited the sale of more than nominal quantities of tuna canned in oil to the United States. As a consequence, there is distress among the tuna canners in Japan who are holding considerable inventories of this commodity and cannot sell it. Accordingly, the free on board Tokyo price of this commodity to other markets in the world has dropped to the level between $5 and $5.60 per case. This low price in Europe is seriously damaging the Peruvian bonito canning industry. Also, tuna canned in oil in Japan is leaking around the Japanese prohibition by being transshipped back from Europe and Canada to the United States. This commodity by reason of this prohibition has been depressed to such low price levels in Japan that if this Japanese regulation is removed, it can be laid down in the United States duty paid at $3 per case less than the going price in the already depressed United States canned tuna market. The economic pressure against this artificial barrier in Japan grows by the day. When the barrier gives way, as past history indicates it will, the repercussions in both the Japanese and American tuna industries will be considerably more damaging than had the commodity been permitted to flow normally in trade.

We have provided to you a considerable quantity of data on this subject in the letter of July 15, with attachments, to the Honorable Jere Cooper, chairman, House committee on Ways and Means. We are attaching hereto a copy of the Mechanics of the Exports of Tuna translated from the Tuna and Skipjack Monthly, No. 63, June 1957. This journal is the official organ of the Japanese Skipjack and Tuna Fishery Association, to which all high seas Japanese tuna fishing vessels belong. We have a considerable amount of further data from Japan on this subject which we would be glad to provide to the Department upon your request.

We ask that you request the Japanese Government to consult with the United States Government, pursuant to artivle XVIII of the treaty of friendship, commerce, and navigation as to taking such measures as are deemed to be appropriate to eliminate the harmful effects upon the tuna trade between the countries that have arisen from the business practices now being exercised in Japan on the part of the Japanese Canned Tuna Export Fishery Association and the All Japan Frozen Marine Products Export Association in conjunction with the Ministry of International Trade and Industry, the Ministry of Agriculture and Forestry, and the Foreign Office or any such practices which are being engaged in or made effective by any other private or public commercial enterprises in Japan or by combination of such enterprises that restrain competition in this market, limit access to this market and foster monopolistic control of this market. We further ask that you request the cessation of the business practices from which these harmful effects flow.

We would appreciate being kept informed of your progress in this matter. The situation in this industry is critical.

Sincerely yours,

JOSEPH J. MADRUGA, *President.*

APPENDIX 2-A

THE MECHANICS OF THE EXPORTS OF TUNA [1]

INTRODUCTION

The strong port prices of last year's summer albacore has faded away like a rainbow, and the prices of this year's summer albacore has certainly dropped violently. Exports of tuna, especially albacore, is practically all destined for the United States. The point to be observed is that fish prices and market conditions in the United States are affected by port prices in Japan.

In the movements of port prices in Japan, and in the movement of port prices in the United States, there appears to be a kind of mutual repercussion that the American tuna operators draw up each year an agreement with the packers on the price of tuna. Japan's export prices on tuna has an effect on their port prices. The movement of port prices in Japan also affects the way of fixing the sale price of tuna by United States fishermen.

On the other hand, until the tuna actually reaches the United States there exists in Japan a complicated and fixed system of channeling. Various laws and restrictions control this industry. Since the receiving party is a foreign country, tuna exports must necessarily pass through such channels. Due to the perishable nature of the fish, and because of the intensive connections in the domestic export market, things are now becoming very complicated.

The fish are landed by fishermen, canned or frozen by canners or freezers, and exported. Each of these stages is governed and controlled by certain Ministries and laws. For instance, manufacturers (freezers and canners) are under the export fisheries promotion law. They are joined together under specific organisations to make connections between fishermen and exporters. Again, exporters are under the import and export transaction law, and they likewise have their specific organisation to pave the way between manufacturers and the exporting firms.

Let us now look upon the laws and channels as applied to the exports of tuna in general from the export fisheries industries point of view. A revision of the law on the promotion of fisheries export was made in May of this year (basic law established in 1954).

MAIN POINTS OF THE REVISION OF THE EXPORT FISHERIES PROMOTION LAW

Voluntary adjustments are made on the part of manufacturers as regards this law in order to reach their main objective; stabilization of the administration. They are, however, restricted to a certain extent by the monopoly law and the common transaction laws. Under this new revision fish operators who own self-refrigerating ships are regarded as manufacturers.

DEFINITIONS

Export fisheries business.—Designations are to be made through Government ordinances for those engaged in manufacturing export fisheries products. Freezers also come under this category which also includes refrigeration-ship owners. Consignment by outsiders is also included in this category.

Export fisheries traders.—Those who are engaged in the aforementioned export fisheries business. In this case, traders who receive and carry out consignments from outsiders are not included.

REGISTRATION OF PLACE OF BUSINESS

Each place of business for manufacture must be registered with the Ministry of Agriculture and Forestry according to different classes of export fisheries products made. Skipjack and tuna vessels with freezing facilities will also come under this category.

BASIS FOR REGISTRATION

The basis for manufacturing installations have been slightly raised. Again, qualifications for technicians and their number is to be newly fixed by Government ordinance. Those who carry on business by consignments to outsiders

[1] Source: Tuna and Skipjack Monthly No. 63, published by the Japan Skipjack and Tuna Fishery Association, June edition.

must list their place of business. This is to eliminate the so-called one-telephone fishery traders.

THE WORK OF THE EXPORT FISHERY ASSOCIATION

This association is established to make loans, receive funds for use of members, make sales of export fisheries products, to purchase, to store, to transport, to inspect, and to carry out the business of supplying raw materials. The association may make purchases not only for secondary goods, but can carry out purchasing operations for principal raw materials. Again, in connection with this business, necessary corporation agreements may be concluded with fish traders and their groups.

ADJUSTMENTS IN RELATION TO EXPORT FISHERIES PRODUCTS

Business adjustments which the association may carry out is in relation to: Manufactured quantities, method of manufacture, period of manufacture, shipped quantities, method of shipment, period of shipment, quality, grade, sales quantity, sales method, sales period, sales price, and restrictions in relation to manufacturing installations. The contents of the adjustment and the provisions for making such adjustments must be reported to the Ministry of Agriculture and Forestry a full 20 days before its establishment. During this 20-day period the Ministry will either approve or disapprove the adjustment, and should this 20-day period elapse without any decision being made on the part of the Ministry, the adjustment is approved automatically.

When, during a period of adjustment for modernisation, a member of the association is allowed to make sales or to make sales of fisheries products on consignment to the sales organization within the association, then the related papers on this organization must be sent in to the Ministry of Agriculture and Forestry.

RESTRICTIVE ORDERS

When any adjustment of the association is not recognized by the Ministry of Agriculture and Forestry as having attained its objective, then the Ministry of Agriculture and Forestry shall have the power to issue restrictive orders; the contents which will be adjusted from borrowed references from the provisions of the adjustments belonging to the association. Export fisheries traders other than members of the association can be made to conform to the above.

Again, within the restrictive order regarding sales, in fixing the appointed organs, the order may stipulate that concerned export fisheries traders (inclusive of those other than members of the association) must make sales through these appointed organs. As to the business of such appointed organizations, the Ministry of Agriculture and Forestry retains the right of supervision, and whenever necessary, may withhold registration of new business locations for a definite period of time.

FROM LANDINGS TO EXPORTS

The stage of production.—When the fish are brought in by tuna or skipjack vessels it is landed on the market, and upon being bid or auctioned by middlemen, are thus disposed of. Yellowfin and albacore which is to be eventually exported to the United States in the form of frozen goods or canned goods is purchased by canners and freezers from these middlemen. These goods are either stored in refrigerators or made into canned products. In actual practice, however, purchases by canners and freezers take on the form of consignments to these middlemen.

Ship frozen goods.—These goods are sold directly to the freezing traders without passing through the hands of the middlemen, but prices here are decided upon a mutual basis of understanding, fixed, and then sold. The export fisheries traders have built up an association covering the whole country. As for the canning and freezing industry, each has a separate organization called the Japan Canned Tuna Export Fishery Association and the All Japan Frozen Marine Products Export Association. Those who are not members of these associations are called outsiders. The Export Fisheries Association can make its own adjustments to the promotion law (note 1).

PARTICULARS OF ADJUSTMENT

Freezers: Based on adjustments made in 1957 by the All Japan Frozen Marine Products Export Association.

1. Tuna in general (including skipjack): During the period from April 1, 1957, to November 30, 1957, export allocations made to members of the association of frozen albacore shipped to the United States were:

	Tons
(a) Amount of allocations on past results	14,700
(b) Amount of open or free allocations	4,900
(c) Reserved quantity	200
Total	19,800

Amount of allocations on past results.—This means that those traders who have made previous shipments to the United States or Canada up to a specific date will receive allocations based on the yearly average quantity of shipments during the specified period.

Amount of open or free allocations.—Those who have used up their past results allocations will receive an additional allocation from this within the limits decided upon.

Reserved quantity.—Allocations will be made from this to those who do not hold past actual results.

The shipping quantity is fixed only on shipments of frozen albacore to the United States and Canada. Thus, various producers who are members of the association cannot make shipments above the allocations they hold.

Note 1. According to the revision of the trade promotion law and in connection with the purchases of raw fish, agreements may be concluded with the fish traders or their organizations. A fish trader who acts as a purchasing agent and who is also a member of the Export Fisheries Association, is bound by the stipulations of such an agreement because he is a member of the association. He cannot make his own selection of the purchaser, but acts in the capacity of the association.

ALBACORE DESTINED TO THE UNITED STATES AND CANADA

For round goods, consignment of sales must be made to the sales cooperative organ which is appointed by the asosciation (note 2).

Loin and disk tuna does not necessarily have to pass through the sales cooperative organ, but the exports must be made by a member of the Japan Frozen Marine Products Export Association. In all the above instances a certificate of inspection on the goods is to be attached and submitted to the association to obtain confirmation.

ALBACORE DESTINED TO OTHER COUNTRIES

There is no export restrictions on these, but similarly, inspection certificates are to be attached and recognition of the association must be obtained.

DIRECT EXPORT LANDINGS BY FISHING VESSELS

Approval to make direct landings must previously be made in writing and submitted to the association.

All tuna, regardless of species, is restricted on the sales price. The sale price must be above the price received and approved by the Ministry of Agriculture and Forestry which has been passed and resolved at a respective directors' meeting of the association.

Note 2. In order to realize the aim in the adjustments of the association, to control sales method, and in order to concentrate manufactured goods, the Frozen Tuna Sales Co. was organized in 1956. After its establishment, results were altogether not obtainable due to high port prices, dumping complaints, and a slump in sales. Before the 1957 summer albacore season, adjustments were made within the association. They reorganized the association by grouping themselves into 12 window firms. Using this as a precedent, the producers openly prepared to become factionalized.

From the 12 window firms, representatives were chosen to organize the cooperative sales business liaison committee which would run the export committee and the raw fish planning committee. These committees would handle everything from raw fish purchases right up to exports. In other words, producing, consigning, and export sales would be entirely under the supervision of the 12

window firms. Thus, the cooperative sales committee went out of existence with the business liaison committee taking its place.

SWORDFISH

During the period from April 1, 1957, to September 30, 1957, allocations to members of the Frozen Marine Products Export Association is as follows:

	Tons
Allocations based on past results	1,568
Open or free allocations	392
Allocations to new traders	20
Total	1,980

Allocations according to past results and free allocations are based on the same system as frozen albacore. Allocations to new traders retains the same characteristics as the allocations held in reserve mentioned in frozen albacore.

SWORDFISH EXPORTS TO THE UNITED STATES AND CANADA

Frozen swordfish is restricted in exports only to the United States and Canada. Sales of frozen swordfish can only be made by members of the Japan Frozen Marine Products Export Association. In this instance, inspection certificates are to be attached and confirmation must be received from the association.

SWORDFISH EXPORTED TO OTHER COUNTRIES

There is no limit to the amount that may be exported to countries other than the United States and Canada. However, in such cases a report of the shipment must be made to the association.

CANNED GOODS

Based on adjustments of the Japan Canned Tuna Export Fisheries Association, 1957.

During the period from April 1, to December 30, 1957, on canned tuna in brine, export allocations for association members are:

	Cases
Allocations on past results	1,116,500
Open or free allocations	[1] 478,500
Allocations to new traders	5,000
Total	1,600,000

[1] 239,500 cases each for the 1st and 2d term.

NOTE.—1st term: Apr. 1, 1957, to Aug. 31, 1957. 2d term: Sept. 2, 1957, to Dec. 31, 1957.

These adjustments (restrictions), similar to the freezing industry, are based on the promotion law. Thus, the contents are basically no different.

Canned tuna in brine.—Tuna (including skipjack) products must be sold under consignment by a fixed set of agreements to a sales organization (Tokyo Canned Tuna Sales Co., Ltd., see note 3) appointed by members of the association. These prices must be above the prices received and approved by the Ministry of Agriculture and Forestry which has been previously passed and decided upon at a respective directors meeting of the association. This sales organization, in watching trends of the United States market, will make the sale to an importing firm with which it has drawn up a basic buying and selling contract.

Canned tuna in oil.—All exports of canned tuna in oil to the United States is prohibited. Even indirect export of this product to the United States is not approvable. Those exporters exporting to other countries must receive approval of the association's board of directors, and sell above the price received and approved by the Ministry of Agriculture and Forestry. Canned tuna in oil exported to countries other than the United States does not necessarily have to pass through the hands of the cooperative sales organization.

Thus, by passing through such restrictions and adjustments, numerous difficult problems on the production of tuna are carried out. In the event the Minister of Agriculture and Forestry decides that the objectives of the industry cannot be reached through sale voluntary adjustments of the association, it will issue an order in relation to restrictions based on the promotion law.

NOTE 3.--Up to the present, there never has been a case where an outsider made exports without first passing through the cooperative organization of the Tokyo Tuna Sales Co. The eight firms which signed basic sales and purchasing contracts (Dai Ichi Bussan, Mitsubishi Shoji, Toshoku, Nozaki, Taiyo, Shizuko, Itechu, and Kanematsu) became the export window firms who were well organized and produced good results. However, prior to last year's summer albacore season, two outside firms planned a strong export policy and succeeded in securing export licenses. Due to the confusion, the Ministry of Agriculture and Forestry issued a restrictive order against outsiders late in 1956. This was followed by a restrictive order in connection with the sales method law in April of 1957. During this time the number of export window firms was increased from 8 to 19. Due to this change considerable confusion has become apparent.

THE EXPORTERS

Passing from the export fisheries traders to the exporters we leave the export fisheries promotion law as governed by the Ministry of Agriculture and Forestry and move on the export and import transaction law under the jurisdiction of the Ministry of International Trade and Industry. Besides this law the exporters are governed by the export articles control law, the foreign exchange law, and the foreign trade control laws, the foreign exchange control ordinance, and the export trade control ordinance.

Foreign exchange and foreign trade control law.—In order to plan for the normal expansion of foreign trade, these two laws carry out necessary basic supervision on external transactions.

Foreign exchange control ordinance and export trade control ordinance.—It is through these ordinances that restrictions and prohibitions in instances prescribed by law are stipulated. Approval on exports of tuna products are fixed by the export trade control ordinance.

The principal product of the California packers being tuna, the result would be that they would be taken in by the salmon and fruit packers of the other areas which is unbearable. Because of this situation, for some time the California canners and laborers had been waiting for a chance to set the spark burning on the restriction movement against imports of Japanese loins and disks.

AGREED PRICE CUT—CAUSE FOR LIGHTING OF FUSE

Unfortunately and at a very bad time the Japanese trade circles, completely without any preparation, unofficially decided on the following resolutions:

1. To restrict loin and disk tuna under the export control law identical with the round albacore.

2. The f. o. b. per ton check price on this to be:

	Loin	Disk
Albacore	$900	$620
Yellowfin	450	470

3. Separately from the check price, and same as heretofore, to establish an agreed price to conform to prevailing prices. Also, future agreed prices for the time being to be as follows:

	Loin	Disk
Albacore	[1] $600	[1] $620
Yellowfin	500	520

[1] Old price was $770.

The computation ratio for the yellowfin loin and disk against rounds to be one to one.

The above news was circulated in California and became a matter of great consternation. The fact that the agreed price was decreased as much as $100 a ton was charged by California packers as only adding cheap Japanese labor on to the $270 a ton f. o. b. check price for round frozen albacore. When seen from this angle the price of rounds is comparatively high. The fact that the yellowfin computation ratio of 1 to 1 was made, clearly indicated that the plan openly

favored loins. The above factors greatly irritated the Californians who suddenly began to increase their voices to restrict imports of loins.

At any rate, California is a precious customer of Japanese round albacore with contracts for shipments in August and September still remaining. If the exports of rounds, because of the fracas concerning loins, should be stopped, then both capital and interest will be lost.

Thus, the Japanese tuna industry hastily retreated and rejected the previous plan with a decision—

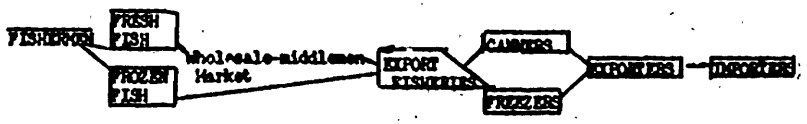
1. Not to establish a check price for the time being.
2. The computation ratio of yellowfin to be returned to a clean slate. (A matter of course since yellowfin export restrictions was aborted).
3. Fifty dollars for albacore and thirty dollars for yellowfin to be added to the former mentioned prices respectively.

Once the fire, starts burning it is not easily quelled. If matters are jumbled upthings may develop into an uproar and into a state of affairs where cancellation of contracts may really be made. Under such circumstances the opinion of the industry in Japan has become divided. The following is some views expressed by the industry:

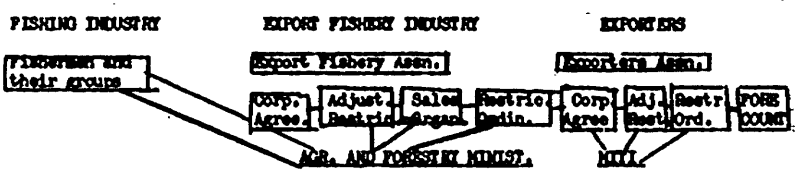
1. There is a necessity to take voluntary restrictive measures in prohibiting loin exports.
2. To raise agreed prices still further, and this may become settled only by bringing it up to the former price level of $700 per ton.
3. Even at the present agreed price of $650 a ton for albacore loins, the northwestern canners are not buying, saying it is too high. Therefore, even at the present level of prices, it is believed that the fruits of self-discipline cannot be attained.

While each theory has its own merits and demerits, that there is a serious red signal being raised against loin exports to the United States is true.

Although general opinion stresses the need to start concrete plans to cope with this situation, as it must be made by an industry which is suffering internal complications, it would be difficult to predict what kind of plan would be forthcoming from them. Be that as it may, since it is being said that loins and disks will become the hope of the frozen tuna industry, it is wished that careful measures be considered as much as possible. This is especially so at the present because various areas in the United States are equipping themselves to handle Japan's loins and disks. It is said that after next year they are scheduled to go into full operation. For some time to come we must make an effort to gain the confidence of the Californians and prepare for developments in the future.



FROM LANDINGS TO EXPORTS



PHASES OF THE JAPANESE TUNA INDUSTRY

NOTE: FORE COUNT. indicates FOREIGN COUNTRY.

APPENDIX 2-B

AMERICAN TUNABOAT ASSOCIATION,
San Diego, Calif., September 30, 1957.

GENTLEMEN: Attached is a translation of an article published in the Nikkan Suisan Tsushin, a Tokyo trade publication, in the July 1957 edition.

The section Red Signal on Exports of Loin and Disks to the United States is of particular interest to every tuna fisherman and tuna cannery worker in the United States and every tuna canner in California. In this section the Japanese set out plainly what their objective is: "Instead of exporting frozen round tuna, since we can add processing charges, it would be profitable for us and for United States packers by doing away with high labor costs.. This meant to manufacture canned goods in the United States with cheap Japanese labor."

Loins are tuna which have been precooked and cleaned ready for canning. They represent about one-third of the original weight of the fish. Accordingly, it is cheaper to ship these loins to the United States than it is round fish by more than one-half.

The cheap cannery labor in Japan makes it possible to do the gutting, precooking, and cleaning in Japan at far less than in the United States. Loins shipped here require a pack shaper, closing machine, and retorting to finish them off as canned tuna. More than half of the United States cannery labor here would be replaced by cheap Japanese labor if loins were used.

Disks are further processed. They have been precooked, cleaned, and shaped in Japan. All that is required is to put the disk in a can, add salt and oil, seal the can, and retort it. The process can be carried on in a garage. No elaborate cannery is needed in the United States. The cannery labor is Japanese, and it is used and paid for in Japan.

The Japanese prefer to advance the manufacturing of imported tuna as far as possible in Japan. If they could send all of their tuna here in the canned form this would be their best wish because all of the labor used would be Japanese and the maximum dollar income for Japan would be gained.

If the Japanese send all their tuna canned into the United States, however, they fear that United States canners would join with United States cannery workers and fishermen in seeking legislation to restrain imports, and would be successful. Therefore, they limit canned-tuna-in-oil exports to the United States to a small amount and keep their tuna-canned-in-brine exports to the United States at reasonably stable levels of value and volume. Thus they have kept the canners calm and quiet.

The next best thing they can do is ship their tuna to this country as loins and disks. This will give them almost as much net dollar income from tuna sales as canned tuna would because they do not have to import the materials for tinplate or oil. However, most tuna cannery labor in the United States will be replaced by Japanese labor and the United States cannery workers will join the United States tuna fishermen in seeking legislation to restrain imports, and they might be successful.

The answer to this problem, they have believed, is to ship no tuna loins and disks to California. Ninety percent of the tuna cannery workers in this country are in California and what they do not see they do not worry about. Therefore, the Japanese prohibited sending loins and disks to California canners. Since they have monopolistic control of the export tuna trade through two cartels operating under the direction of the Japanese Government they can control such things under law.

They sent their loins and disks to canneries in the Pacific Northwest that are primarily salmon canners, to canners in Maryland that are primarily fruit canners, to canners in Maine that are primarily sardine canners, and to Puerto Rico where Van Camp has taken over a tuna cannery that was going broke. Thus everyone was happy. As the Japanese report, these canners were equipping themselves to handle Japanese loins and disks on a large scale and next year were scheduled to go into full operation.

But the Japanese made a mistake. In 1956 they had a big albacore year. They misjudged the albacore market in the United States and held albacore in frozen storage all summer and fall waiting for the market there to develop. It did not do so. Finally they had to dump about 14,000 tons of frozen albacore on this market at more than $100 per ton less than their cost of production. This led to a softening of the canned tuna market here, to a glut of the frozen tuna market here, and finally resulted in the ex vessel price of albacore getting down

to as low as $120 per ton during the height of this summer's albacore run in Japan, which peaks in June and ends early in July.

Under the low price, glut conditions that resulted in the Japanese frozen tuna business this summer as a result of these things plus a heavy run of albacore, the Japanese tuna cartels made another serious blunder. They cut the loin and disk prices by $100 and $150 per ton, respectively. This gave the northwestern, eastern, and Puerto Rican canners such a tremendous advantage that the California canners raised a howl. The Japanese cartels retreated for the time being and raised the price back to the old level so as not to damage the sale of round albacore and tuna to California canners.

The greater mistake in all of this, however, on the part of the Japanese tuna cartels was dropping temporarily the screen which had shielded their designs and operations with respect to the American tuna markets. In doing this they did these things:

1. Demonstrated to United States Government officials that the Japanese tuna cartels were capable of operating, and did operate, in this market as a monopoly able to restrain trade to their own advantage and to the disadvantage of the American tuna industry and the American consumer.

2. Demonstrated to American tuna cannery workers that the Japanese plans to supplant their jobs with Japanese labor were well advanced and almost capable of being put into effect now.

3. Demonstrated to the canners of tuna in California, especially those whose principal sales were in their own advertised brands that their days as principal factors in the American tuna trade were numbered unless some control could be exerted over the activities of the Japanese tuna monopoly in this market.

4. Demonstrated to United States tuna fishermen what they already knew to be the case, that they were in a fight to the death to maintain their ability to earn a living in this trade against the power of the Japanese tuna monopoly to restrain and manipulate the trade in tuna in the United States until one section after another of the United States fishery was disposed of as a competitive factor.

The attached article requires no further explanation. It is written in a hand all men can read.

Sincerely yours,

W. M. CHAPMAN,
Director of Research.

APPENDIX 2-C

THE FROZEN TUNA INDUSTRY "GOOD AT FIRST, BAD LATER ON"[1]

The 2 months of June and July 1957 have revealed many interesting topics on the frozen export tuna industry. The first of these topics is that a greater part of last year's losses on summer albacore was recovered this year because of the smooth progression of the exports of albacore (round). The second story concerns the attempt of the frozen-tuna industry to undertake adjustments in the production and exports of yellowfin which, unexpectedly, came against a brick wall in the form of the Skipjack & Tuna Fishery Association. The loin and disk export problem is the third topic which, up to this time, had not shown any outward movements. However, because of the movements started in the United States, the problem has suddenly come to the fore. The last topic concerns the dumping problem which is showing signs of flaring up again.

For good or for bad the appearance of so many problems popping up within such a short period of time may cause exceedingly grave consequences in the future for the export freezing traders.

Let us summarize the characteristics in the "Good at first, bad later on" situation of the industry.

Sales contracts made for 20,000 tons of albacore in 3 months, vitality regained by drop in port prices

It was from mid-May that the actual summer albacore season began. The prevailing port prices then fluctuated between $242 to $255 a ton. However, with a total landings of 558 tons realized at Yaizu and Shimizu ports on

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[1] Source: Nikkan Suisan Tsushin Supplement No. 12 for July 1957, pp. 23–36. Published by Suisan Tsushin Sha.

May 11, prices dropped in 1 stride to the $215 a ton level. At this time a drop in prices was forecasted for future summer albacore. From the point of view of the freezers and canners, it is believed that their policy was not to look around for purchases or to stockpile goods since they realized that fishing conditions were excellent and further large landings of summer albacore could be anticipated.

As regards the canners; due to being pushed by tremendous stockpiles of canned tuna in the United States the market situation in Japan followed a rapid road of decline. This is especially true of the market price for white meat which dropped to the level of light meat, thus, making the outlook for the future uncertain. This also meant that prospects were not good for the exports of canned tuna in brine which left business firms in the plight of being spurred on to make cheap sales as a matter of policy. As a result thereof, various packers, including those in Shizuoka Prefecture, worried on the thought of "must the official prices of the sales co-op be reduced?" This was more so because up to now large quantities of manufactured goods had been produced with high cost raw materials, and in the holding of considerable amounts in stock they were faced with no certain plan as to the manufacture of canned white meat in the future.

Moreover, medium and small packers had practically produced all of their quota for canned tuna in brine for this year, and with the exports of canned tuna in oil at a slump, it appeared as if there was no outlet to be had.

As for the freezers; with the losses incurred last year still fresh in their memories, all business firms adhered strictly to a moderate production policy. Though a month and a half had passed from April to May, only 1,400 tons of albacore had been purchased by the freezers because of their policy to make purchases only after its sales were made definite. Thus, the fish traders had to be content to remain speechless with empty arms on the mountains of summer albacore being piled up on the markets each day.

The landings of summer albacore increased daily, and proportionately the port prices continued to decline. Picked at random, the fluctuation of port prices were (fresh albacore averaging 16 to 40 pounds): May 1, $268 to $276 a ton; early May, $235 to $249 a ton; mid-May, $215 to $222 a ton; end of May, $202 to $208 a ton; early June $181 to $192 a ton; mid-June $168 to $175 a ton; end of June, $148 to $155 a ton; and early July, $128 to $141 a ton. This means that the prices at the end of the season dropped to less than half of the price at the beginning of the season.

It was about the end of May when the price was around $202 a ton that freezing traders began to make purchases. This was not in the nature of a mad buying spree, but was only to secure spot goods for sales contracts on about 1,300 tons realized during the middle and end of May. This go slow policy proved successful in the long run, for it prevented a rise in port prices later on when carrying out large purchases because of the increase in sales contracts.

This year's entire landings of summer albacore is roughly estimated to be 40,000 tons. The fact of its surpassing the 36,802 tons of last year, which was considered as a good fishing year, is unmistakably the main reason for the cheap port prices. The freezing traders, by their cautious approach, stopped making purchases at about 20,000 tons which is only half of the total landings. This cautious plan did not come into existence because of artificial manipulations. It came about because of the effects of the financial difficulties of the trade which saw no other way out.

The fact that this financial difficulty had still more harsh effects upon the canning people cannot be overlooked. In line with the tight-money policy of the Japanese Government, turnover of goods became more sluggish which made it more difficult for the canned tuna industry to operate. The truth of the whole matter is that they could not purchase as they wished, but just watched the continuing drop in port prices.

Roughly $833,333 of profits on summer albacore alone

On the other hand, frozen albacore sales made sudden strides from the beginning of June. CRPA purchased a total of 6,700 tons which, in a single stroke pulled the stagnant industry together. Starkist also contracted for approximately 4,000 tons by mid-July with B. C. packers of Canada purchasing about 2,000 tons (800 tons unreported to the Frozen Marine Products Export Fisheries Association). Up to now Westgate, which has previously passed as being anti-Japanese in its attitude, also purchased 1,000 tons through Mr. Jimmy

Ohta. Small- and medium-sized packers also purchased 2,500 tons. Inclusive of the sales quantity (before the single sales system of fralbecks) before May 20 about 20,000 tons of summer albacore were sold between the 3-month period of April to July. The estimated sales quantity for the first half period from April to September was 20,000 tons. Thus, it can be seen how satisfactory exports went.

Even with conditions being so excellent, to have the sales price after May pegged at the check price of $270 a ton f. o. b. is something, which to the business firms, is nothing to be proud of. Recently, instead of trying to raise the price, the business firms are trying within all means not to go under the check price. This can be said to be nearer the truth. Actually the check price of $270 a ton f. o. b. was disastrous many times. The greatest moment of peril was probably during the 1-week period immediately after the reopening of the single selling system of fralbecks. The foreign parties observed the continuous decline in port prices and demanded to carry out transactions below $270 a ton f. o. b. Of course, to break this check price would be a violation of the exports control law, and although it could not be openly violated, it appears that they were shown how to circumvent this problem by manipulating letter of credits and cutting down the expenses of freight rates. To cite an example, on the basis of c. i. f. $325 a ton, the freight rate at that time was $61.65 a ton. Thus, it was absolutely certain that the prices of $270 a ton f. o. b. would be violated. However, the buyers indicated that it would be all right to use a tramper which would uphold the $270 a ton f. o. b. line. Quite a few exporters appeared to agree on this, but felt that such action on their part would stimulate other packers in the United States to demand a price cut below $270 a ton f. o. b. which, in the end, would become uncontrollable. The fierce opposition by most business firms caused the matter to fade away. Such opposition was possible because, different to last year, large stocks were not being held. On this point there was an easy sense of feeling because of no necessity to make hasty sales and no weak point to be taken advantage of.

How much of the losses incurred last year were they able to recover during this year's summer albacore boom? To answer this question for each individual trader cannot be given because of the degree of losses being different and the amount of the profits for this year varying. Generally speaking, for the medium and small producers and those who did not commit anything rash last year, all have practically recovered the loss in full. It is said that for the larger firms about half of the losses have been written off. The profit per ton for both the business firms and the producers combined, calculated on the basis of the average port price of $168 a ton, would presume to be around $70 a ton for early shipments before September. Profits on September and later shipments would be around $41 a ton. Roughly, total profits for this year's summer adbacore shipments would come to around $833,333. From this amount the actual portion of profits finding their way into the pockets of the producers would at most be around $694,444. There is still a long way to go before the loss last year of $2,777,778 can be written off. However, upon looking at the balance accounts for this year, business firms are smiling. As for the producers, it has given them time to take a breathing spell and to look over the situation at hand.

Argument on export restriction of yellowfin strong at first but weak later

After the start of the fiscal year in April the argument restricting the exports of yellowfin to the United States began to be studied concretely.

The first intention appeared more in a haste to restrict direct exports to Italy. This restriction was met with fierce opposition by the business firms who were just about to embark upon the direct export business. Moreover, the fishery agency announced its license policy concerning Atlantic tuna operations which helped to make complications worse. Talk of restrictions on direct exports faded away and in its place a trend in the movement to tackle the main objective of restrictions to the United States gained momentum.

Up to the present the exports of yellowfin to the United States was apt to be recognized and handled as dependent upon albacore exports. In spite of the exported quantities being rather large it was comparatively modest in character. The general expressed opinion would not progress easily.

First, the bigger exporting firms of yellowfin show strong tendencies to handle this product principally for its financial manipulations. To be frank, without fully possessing outlooks on port prices or amount of landings and as a result of rashly placing contracts on future goods, the exports of these business firms

were constantly of an unstabilized nature. There were strong tendencies to take in such conditions as being normal.

Second, being different from albacore, the greater percentage of exported yellowfish (about 90 percent) is ship frozen goods. This is said to be difficult to procure through regular market transactions since only middlemen having special connections with shipowners are able to handle these goods. This has been a long established custom.

Third, unlike albacore, yellowfin is not a classified export article. Yellowfin is not only exported to the United States but it is also used extensively for domestic fresh goods. Yellowfin is also exported to Italy.

Fourth, the larger tuna canning factories in the United States possess their own tuna fleets and do not have to depend on imports for their yellowfin material. Thus, exports of yellowfin to the United States is mainly being directed to the medium and small sized packers. These packers were able to perceive market conditions so at times there was a loss of equilibrium against the exporters.

Due to these various mentioned reasons the restriction of yellowfin up to the present had been hindered. In surmounting these obstacles, the resolutions of the industry to carry out restrictions was a great progress, though it was not successful and ended off where they began. There is no room here to go into detail regarding the necessity for the restriction. Let it suffice by only stating the following facts:

Starting from this year it appears that at long last an export system of albacore will take shape. Because of the good results attained this year, it rallied the parties upholding the theory of the restriction policy. Again, there was a sudden increase in purchases during April-May for yellowfin futures. Assisted by the fact that the estimated catch was below expectation, port prices for 20 to 80 pound yellowfin came to an unheard of price of $200 a ton (ship frozen goods). Because the sales price was around $240-$250 a ton f. o. b., a loss on an average of $70 a ton was incurred. On top of this, spot goods were not available, causing considerable cases of nonfulfillment of contracts (indemnities had to be paid in such breach of contracts). This further spurred arguments for restrictions.

Move of the Skipjack & Tuna Fishery Association key to solution

The basic outlines for restrictive plans in the exports of yellowfin was practically settled during mid-June. Following the example, an export allotment was established (30,000 tons annually) with the method of allotment entirely based on past showings and free allotments not recognized at all. Up to the time the original draft was decided upon by members if the export planning committee of the Export Freezing Association, there were quite a few complications. However, due too strong assertions by the large business firms, the medium and small makers were made to give their consent. There was no special reason to lodge complaints by the medium and small producers, although it cannot be said that they were secretly not satisfied in having the restrictive measures taken right away. Truthfully speaking, they did not dare oppose the larger firms. Although it appeared that at times the atmosphere was charged with haziness, the plan to establish the export allotment was at last passed unanimously by the export planning committee, and within a few days, after going through the directors meeting and the general meeting, a decision was reached to make the plan officially effective from August 1. Furthermore, to additionally establish a shipping allotment to conform to the export quota, with the anticipation that there would be new members from the Skipjack & Tuna Fishery Association joining the All Japan Freezers Association, the unanimous decision was not to make these allotments individually but to fix only the total shipping quantities which was to be enforced as of August 1. At this point, however, an unforeseen incident broke out.

On July 10, contrary to general opinion, the ship freezers section of the Skipjack & Tuna Fishery Association commonly agreed that, "deep-sea tuna shipowners who have received registration based on the export fisheries promotion law will not join the All Japan Freezers Association but shall, for the sake of promoting exports, continue their future studies in the direction of building up a separate organization."

Things turning this way now seemed disastrous for the All Japan Freezers Association. Should a separate Export Fisheries Association be established then all the members of the All Japan Freezers Association would, in substance,

be entirely unable to handle yellowfin intended for exports. They would, in essence, be completely shut out because 00 percent of yellowfin for export were ship frozen goods held by the ship freezers section of the Skipjack & Tuna Fishery Association. The intention of the Skipjack & Tuna Fishery Association is not known. Present action seems to be court and gain the goodwill of the Skipjack & Tuna Fishery Association. Since there is no way out but to ask them to join the All Japan Freezers Association.

Those in the the first place who were not too keen in carrying out the present problem of adjustments in the shipment of yellowfin, demanded and brought about the indefinite postponement of restrictions concerning shipping quotas.

Things turning this way, the problem now would be whether or not to brush aside the shipping quota and establish only an export quota. Although voices were heard from a section of the business firms to have this vigorously carried out, the fishery agency began to show its opposition. The fishery agency, up to this time, had agreed to establishing a shipping quota which was conditional upon the establishment of an export restriction.

Again, those business firms which held only meager holdings of past showings in the exports of yellowfin started giving their disapproval. In summary, the arguments in favor of the necessity for the restrictions were based on personal benefits which is the reason for its ineffectiveness. Unable to pacify the differences, the question of restrictions seems to have been shelved.

Red signal on exports of loin and disks to the United States

During mid-June when the trade circles were drunk with the excellent situation of albacore exports, preparations were steadily being made in the United States to cast cold water over their heads. This was the restrictive movement in the United States against the imports of Japanese loin and disk tuna.

Up to the present, loin and disk tuna was successful, ever since its trial production several years ago. With the prosperity of today's several thousand tons exported annually, the byword usually being reiterated was, "instead of exporting frozen round tuna, since we can add processing charges, it would be profitable for us and for United States packers by doing away with high labor costs." This meant to manufacture canned goods in the United States with cheap Japanese labor.

A very good story, but on account of this there would be some who would be hit hard. One of these being canned factory laborers in the United States, and the other being those packers in the United States who, by various reasons, are unable to import loins and disks. The United States cannery laborers, especially the labor unions in southern California, were from the first strongly opposed to the imports of loins. They contended that if such loins and disks should become imported in large quantities to replace rounds, the result would be less work for them and more unemployment.

However, the situation changes when it pertains to areas other than California. For example, in the northwestern areas such as Seattle where the principal manufactured article is canned salmon, nearly all of these factories were placed in a situation where they had to close down during the offseason. During such shutdown periods, if purchases were to be made of round or loin tuna from Japan, the workers would be able to continue working and it would be more profitable for the manufacturers. Needless to say, if by importing rounds there would be more work to do, insufficiently equipped to process round tuna. Again, they would not possess the cash reserves to carry at all times the necessary personnel which would be required. Thus, at any cost it must rely on loin tuna. The situation is the same for the eastern canners principally canning fruits.

Under these various circumstances, Japanese trade circles have been strictly prohibiting the exports of loin and disk tuna to California. Their main customers have been in the northwestern and eastern States and Puerto Rico.

However, this would be contested by the California packers who are unable to make purchases of loin and disk tuna. Thus, they would have to pay more for high labor costs as compared to the packers in the other areas who would benefit from the imports of loin and disk tuna in carrying out the so-called spare-time work in the manufacturing of canned tuna. In other words, in spite of the principal product of the California packers being tuna, the result would be that they would be taken in by the salmon and fruitpackers of the other areas which is unbearable. Because of this situation, for some time the California canners and laborers had been waiting for a chance to set the spark burning on the restriction movement against imports of Japanese loins and disks.

Agreed price cut—cause for lighting of fuse

Unfortunately and at a very bad time the Japanese trade circles, completely without any preparation, unofficially decided on the following resolutions:

1. To restrict loin and disk tuna under the export control law identical with the round albacore.

2. The f. o. b. per ton check price on this to be:

	Loin	Disk
Albacore	$600	$620
Yellowfin	450	470

3. Separately from the check price, and same as heretofore, to establish an agreed price to conform to prevailing prices. Also, future agreed prices for the time being to be as follows:

	Loin	Disk
Albacore	[1] $600	[1] $620
Yellowfin	500	520

[1] Old price was $770.

The computation ratio for the yellowfin loin and disk against rounds to be 1 to 1.

The above news was circulated in California and became a matter of great consternation. The fact that the agreed price was decreased as much as $100 a ton was charged by California packers as only adding cheap Japanese labor on to the $270 a ton f. o. b. check price for round frozen albacore. When seen from this angle the price of rounds is comparatively high. The fact that the yellowfin computation ratio of 1 to 1 was made, clearly indicated that the plan openly favored loans. The above factors greatly irritated the Californians who suddenly began to increase their voices to restrict imports of loins.

At any rate, California is a precious customer of Japanese round albacore with contracts for shipments in August and September still remaining. If the exports of rounds, because of the fracas concerning loins, should be stopped, them both capital and interest will be lost.

Thus, the Japanese tuna industry hastily retreated and rejected the previous plan with a decision:

1. Not to establish a check price for the time being.

2. The computation ratio of yellowfin to be returned to a clean slate. (a matter of course since yellowfin export restrictions was aborted).

3. Fifty dollars for albacore and $30 for yellowfin to be added to the former mentioned prices respectively.

Once the fire starts burning it is not easily quelled. If matters are jumbled up things may develop into an uproar and into a state of affairs where cancellation of contracts may really be made. Under such circumstances the opinion of the industry in Japan has become divided. The following is some views expressed by the industry:

1. There is a necessity to take voluntary restrictive measures in prohibiting loin exports.

2. To raise agreed prices still further, and this may become settled only by bringing it up to the former price level of $700 per ton.

3. Even at the present agreed of $650 a ton for albacore loins, the northwestern canners are not buying, saying it is too high. Therefore, even at the present level of prices, it is believed that the fruits of self-discipline cannot be attained.

While each theory has it own merits and demerits, that there is a serious red signal being raised against loan exports to the United States is true.

Although general opinion stresses the need to start concrete plans to cope with this situation, as it must be made by an industry which is suffering internal complications, it would be difficult to predict what kind of plan would be forthcoming from them. Be that as it may, since it is being said that loins and disks will become the hope of the frozen tuna industry, it is wished that careful measures be considered as much as possible. This is especially so at the present because various areas in the United States are equipping themselves to handle Japanese loins and disks. It is said that after next year they are scheduled

to go into full operation. For some time to come we must make an effort to gain the confidence of the Californians and prepare for developments in the future.

STATISTICS ATTACHED WITH ARTICLE

Sales of frozen albacore by the group firms

[Unit tons, as of July 25, 1957]

Exporting group firm	Export quota	Sales made before May 30	CRPA	Starkist	Westgate	B. C. Packers
Dai Ichi Bussan	5,721.48	730	550	700	.....	300
Taiye Fisheries	5,315.16	51.62	2,475	.....	.....	.....
Mitsubishi Shoji	2,841.78	200	700	100	100.0	460
Tokyo Shokubin	2,442.66	277	350	500	100.0	200
Nozaki Sangyo	2,342.70	283.4	680	250	200.0	240
Tokyo Shosha	1,953.28	216	180	1,170	.....	.....
Ito Chu	2,198.32	300	335	430	.....	.....
Nihon Reize	1,475.98	176.2	325	.....	210.0	100
Abe Boeki	1,394.80	100	600	250	.....	.....
Marubeni Iida	2,168.18	25	200	500	100.0	.....
Kanematsu	870.68	58.6	100	.....	170.0	.....
Taiyo Bussan	673.10	.....	100	40	.....	.....
Shoji Shoten	295.24	.....	.....	60	121.8	50
Asahi Bussan	241.98	20	100	.....	.....	.....
Kasho	109.72	.....	.....	75	.....	.....
Others	61.38	.....	.....	.....	.....	.....
Total	29,998.44	2,437.82	6,695	4,015	1,001.8	1,350

Cal-Marine	Franco-Italian	Others [1]	Loin and disk	Total
200	.....	500	372	3,352
.....	100	200	256.146	3,082.766
50	.....	210	.....	1,820
.....	.....	.....	219.64	1,646.64
.....	.....	.....	200	1,853.4
.....	.....	.....	.....	1,566
300	.....	.....	.....	1,365
.....	.....	.....	.....	811.2
.....	.....	.....	.....	950
125	450	.....	.....	1,400
50	.....	.....	.....	378.6
.....	200	.....	.....	340
.....	.....	.....	.....	231.8
.....	.....	50	.....	170
.....	.....	.....	.....	75
725	750	960	1,047.786	19,042.406

[1] Remarks: F. E. Booth, 400 tons; Washington Fish & Oyster, 345 tons; Pan Pacific, 210 tons.
1. Figures have been taken from the ones having been completed and reported to the Frozen Tuna Export Fisheries Association.
2. B. C. Packers has a contract for 800 tons separately, but destination is not made clear.
3. Loin disks are computed quantities based on rounds.
4. 180 tons sold to CRPA by Tokyo Shosha contracted for by Wilbur Ellis.

APPENDIX 3

CANNERY WORKERS & FISHERMEN'S UNION,
San Diego, Calif., November 8, 1957.

LEONARD R. LINSENMAYER,
Associate Director, Office of International Labor Affairs,
Department of Labor, Washington, D. C.

DEAR SIR: In the course of our conversation while I was in Washington a few weeks ago, I promised to give you a brief history of the tuna-fishing industry in the postwar years, an analysis of the economic difficulties of the industry, their origins, and what I feel might be done in a practical manner to arrest the decline of this industry and direct it toward a normal, healthy growth consistent with the progress of the general economy of the Nation. This follows:

World War II was a disruptive force of major importance to our industry, as well as to others. Most of our long-range tuna clippers were enlisted by the Navy for service in the South Pacific theater. In many instances, the crews went with the vessels because of the nature of the emergency, and were enlisted later. This class of vessel proved to be so useful to the Navy in the far reaches of the Pacific that it built 28 for its own use during the war (they were called YP's) besides those of our own that had been conscripted.

At the end of the Pacific war, the vessels taken by the Navy, except those lost in action, were returned to their owners, and the YP's were soon declared surplus and made their way into our fleet. The skilled personnel returned with the vessels, and the productive capabilities of this fleet grew rapidly between 1945 and 1949 from these causes.

The market for canned tuna in the United States grew more rapidly during these years than did the productive capabilities of the fleet. You will remember that there was a general shortage of protein food in the world during the immediate postwar years and that this was also true in the United States. With the release of the economy from price-control restrictions, prices of scarcer commodities increased substantially and generally. This was true of tuna at the ex vessel frozen-tuna level, the wholesale canned-tuna level, and at the retail canned-tuna level. This created general prosperity among the canners, boatowners, and fishermen, as it did in the general economy.

The fishermen plowed back the earnings of these prosperous years, formed partnerships, and became boatowners, this creating more jobs for fishermen. The long-range tuna clippers have always been substantially owned by the men who operate them, rather than by the canners who buy their catches, for the simple economic reason that owner-operated vessels produce tuna at a cheaper cost per ton of production than do clippers manned by hired crews. The prosperous condition of the fishery continued through 1949, 1950, and into early 1951. The fishermen kept plowing their earnings back into new vessels, and the fleet grew as it tried to keep pace with the growing market. As a matter of fact, the fleet continued to grow through 1951 and into early 1952, even after the economy of the fleet received a severe setback in 1951, for the reason that it takes from 9 to 18 months to complete a tuna clipper from the time that a building contract is let.

A tabulation of the number of vessels in the fleet and their combined carrying capacity for each year from 1947 to date is given in appendix 1. The estimated consumption of canned tuna in the United States from 1947 to date is given in appendix 2.

One of the reasons for this postwar prosperity in the industry was that the tuna fleet of Japan had been substantially destroyed in the last months of the Pacific war and there was little or no competition in this market. This situation was altered as rapidly as possible by the United States Government in the postwar years—in the first instance to provide food for a hungry Japan, and in the second instance to earn dollar exchange for an economically exhausted Japan which was turning from being a vigorous enemy to being a badly needed ally.

Until 1948, all of the product of the rapidly expanding Japanese tuna fleet was needed to feed Japan. In that year, SCAP permitted a small export of tuna to the United States, and in 1949 a larger amount. By 1950, the Japanese tuna industry had recovered its prewar productive capabilities and was prepared to reestablish its position in the United States canned-tuna market.

The tariff situation in which it found itself in 1950 was much better than it had been in 1941. In 1943, the 45 percent tariff on tuna canned in oil—then the only tuna commodity in world trade in a substantial volume—was cut to 22½ percent ad valorem in a trade agreement concluded with Mexico, although Mexico had never been a substantial supplier of tuna to this market nor did it become so by reason of the concession thus made to it.

The American industry was keeping close watch on the growing industry in Japan. In late 1948, during 1949 and early 1950, we, along with other parts of the industry, made numerous representations to the Department of State, the Committee for Reciprocity Information, and other instrumentalities of the trade-agreement machinery of the Government to return to us some part of the protection we required to compete with the cheap labor of the Japanese.

In mid-1950, the tuna-fishing industry received the most vicious and cruel blow it has yet had from the Executive. In the late spring, Mexico gave notice that it was abrogating its trade agreement with the United States. The causes of abrogation were not related to tuna, because Mexico has never been interested

in its inconsequential trade in tuna. But the effects were momentous to the tuna trade. At the date which abrogation took effect, the tariff on tuna canned in oil would revert automatically from 22½ to 45 percent ad valorem.

Our Government had the choice, within a range of months, of when the new duties would come into effect as a result of the abrogation. The tuna industry made most desperate representations to the Department of State to make the duty changes effective at the same date as the abrogation was announced, for the simple reason that the Japanese would dump all of the tuna on this market they could get into the can as soon as they learned of the new duty rate so as to get there in advance of the new duty.

The result of our representations was that the Department of State completely and deliberately ignored our pleas and chose dates which brought a maximum amount of damage to the United States tuna industry. Mexico abrogated the trade agreement in June 1950 and the Department of State announced that the new duty rates brought about by this action would be effective on January 1, 1951.

The consequences of this action were even greater than the industry had anticipated. The Japanese dumped about 1,500,000 cases of tuna on this market during the 6-month period. In terms of processed weight the size of this shock can be measured by the following statistics. The average annual importation of canned tuna in the years 1931–40 was 8,060,800 pounds. The highest for a prewar year (1933) was 14,382,100 pounds. In 1948 it was 8,280,400 pounds and in 1949, 4,504,900 pounds. But in 1950 it was 36,409,500 pounds. Almost all of this came in during the last 6 months of 1950. It came in a pellmell dash to beat the January 1 dateline. Not only was it dumped in an indiscriminate manner but most came in through brokers and importers inexperienced in the tuna trade who dumped it into the wholesale channels as rapidly as they could.

The effect of this dumping hit the market with full impact in mid-1951 and by the early fall our canneries were closing, our fleet was being tied up with its frozen tuna on board with no market in which it could be sold, and the United States tuna industry was grinding to an abrupt halt which ran on for the rest of 1951 and into 1952.

The full effect of this act by the Department of State in mid-1950 has still not left this industry. But from that date to this the Department of State has used every weapon in its arsenal to prevent us from recovering from the blow. It has opposed every proposal we have made to the Congress or to the Executive. Its counterproposals have been designed to be of no benefit to the domestic industry whatsoever. It has, on the other hand, we believe, used every office it could to encourage the Japanese in increasing their tuna shipments to this country. It is opposing us at this moment of writing and is, by doing so, aiding the Japanese.

The crisis was so acute in this west-coast industry in 1951 that a number of west-coast Congressmen submitted a variety of bills aimed at correcting the situation. The House Ways and Means Committee established a special Tuna Subcommittee which held hearings. The Department of State opposed all of the permanent corrective legislation before the committee. It had to admit that there was a serious crisis in the domestic industry. But it took the view that this was transitory and that the industry would adjust to the new situation without serious injury.

In spite of this the Ways and Means Committee reported out a bill which would have done two things: (1) Establish a 3-cent-per-pound tariff on frozen tuna until March 31, 1953, and (2) direct the United States Tariff Commission and the Secretary of the Interior to make comprehensive studies of the competitive status of the domestic tuna industry and report their findings to the Congress before that date so that the Congress could properly formulate permanent legislation.

This bill was passed by the House in the closing days of the 1951 session to the considerable surprise of the opposition. I believe it was the first legislation in nearly 30 years imposing a tariff increase which had been reported by the Ways and Means Committee and passed by the House. Had it gotten to the Senate floor during that session, it no doubt would have been enacted. The days were so few to recess time that the opposition was able to block this by getting the Senate Finance Committee to insist upon hearings, for which there was not time before the recess. The upshot was that the bill held over to the second session, but Senator George, chairman of the Senate Finance Committee, promised us early hearings.

At the beginning of the new session the opponents of the bill attempted to postpone hearings before Finance. They were successful for a time, but in late March, Senator George fulfilled his commitment and held hearings. At the hearings and afterward the opponents at first worked for an unfavorable report and then shifted to recommending import-quota legislation which at that time was anathema to it and the majority of the Ways and Means Committee. Obviously, the tactics were to get a bill reported out of the Senate Finance Committee which would have to go back to the House for its reconsideration in the hopes that the session would end before passage. We were at last able to prevail upon the Senate Finance Committee to report out unchanged the bill which the House had passed.

The Department then attempted to prevent the bill being brought to the floor of the Senate but we were able to convince the leadership to bring it up late in the session. The Department turned the full force of its lobbying activity, which is formidable, loose against the bill. After full debate in the Senate a voice vote was taken. The issue was so close that yeas and nays were called for. This favored the Department because we had been told by a few Senators that on a voice vote they would be with us but on a record vote they would have to oppose because of administration (then Democratic) request. The upshot was the loss of the bill in the Senate by a few votes.

However, Senator George and the Finance Committee did pass a resolution instructing the United States Tariff Commission to make a full study of the competitive status of the domestic tuna industry. The six west coast Senators jointly requested the Secretary of the Interior to make the study the bill requested. In both cases competent investigations were made and reports made to the Congress. As a matter of fact, I have been told that the report made by the Department of the Interior was felt to be so competent that its authors were awarded a prize. However, nothing ever came from the reports. None of the recommendations made were put into effect or further considered after being made.

From the dumping of canned tuna in the last half of 1950 and the legislative efforts of 1951 and 1952 arose a number of lines of activity in the tuna trade which have importantly affected it and which may best be considered under separate headings.

1. Voluntary quotas

The Japanese during 1952 became so disturbed by the sucessful trend of the tuna producers legislative efforts that the Japanese Government imposed voluntary quotas and check prices on tuna exports to the United States. The purpose was quite frankly to effect the defeat of the legislation, which it successfully did.

This action had residual effects, however, which were beneficial to the tuna trade in the United States during the latter half of 1952 and 1953 in that they brought a degree of stability to the market here and temporarily eased the distress of the American tuna producer and permitted the ex-vessel price to increase here.

These results were only temporary, however, because they set up stresses within the Japanese tuna industry which resulted in the eventual disintegration of the controls during 1954, 1955, and 1956. Japanese canners and the Japanese frozen tuna exporters bidding against each other for tuna in Japan to send here alternately caused high and then low prices to the Japanese fishermen, then alternately created high and low prices for the frozen tuna being sent here, then high profits followed by gluts and losses were experienced first by the frozen tuna exporter and then by the Japanese exporters of canned tuna.

The consequences of these stresses and strains in Japan were that the voluntary, unilateral controls broke down by late 1953 and during 1954, 1955, and 1956 the voluntary quotas became more like achievement goals, which were changed as the occasion required, then restrictive machinery on trade, and the voluntary price controls were more noted by their breach than by their performance. The consequence of these movements on this market, however, has been to keep it continually upset both as to price and volume and to continually increase the volume of frozen tuna sent here during this period.

Our Government has quite consistently refused to take cognizance of this situation or make representations to the Japanese Government with respect thereto, although the mechanisms which the Japanese have used to restrain and control the trade in tuna in this country clearly come within the purview

of article 18 of the Treaty of Friendship, Commerce, and Navigation between the United States and Japan.

2. Tuna in brine

During 1951 the Japanese learned that if the oil were left out of canned tuna and plain water added to the can in its stead the product came within the tariff category "fish, canned, other than in oil." Prior to this time this basket category had contained antipasto, smoked pollock, and other oddities of the fish trade which were of nominal volume in the import trade. However, during 1943 the tariff on this basket category had been decreased to 12½ percent ad valorem under the trade agreement with Iceland.

Iceland does not produce tuna. They do not occur in those cold northern waters. Iceland had not considered that tuna had been included in its trade agreement, nor had the Department of State—which had been at the same time negotiating the tariff on canned tuna downward in the trade agreement with Mexico. Nevertheless, the Department of State allowed that this basket category did contain tuna. Therefore the Japanese could and do export canned tuna to the United States at 12½ percent instead of 45 percent by the simple expedient of adding water instead of oil to the can before retorting.

Thus a new commodity was created in trade by an administrative decision under the Tariff Act of 1930, as amended. It was a poor product, but so long as it sells on the retail shelf at 5 to 6 cents per can less than tuna canned in oil, it will sell against it. Since the duty is so much lower, and since the water in the case is about $1 per case cheaper than the salad oil would be in Japan, it can and does sell profitable. That it is a poor product is signified not only by the fact that it has to sell so much cheaper than tuna in oil to move off the shelf, but that Japan sends tuna in brine only to the United States. To the twenty-odd other countries to which she exports canned tuna she sends only tuna canned in oil. Japan will not risk damaging its canned tuna market in these other countries by exporting such a poor product.

This cheap product has tended consistently since its entry on the market in 1951 to drag down and fluctuate the price of canned tuna in the United States.

The industry sought aid from Treasury and State as this newly created commodity increasingly disturbed the market. State at first said that it could not take the matter up with Iceland for fear of offending that ally. Private inquiry by the industry, I am told, showed that Iceland would be quite willing to have the United States invoke the escape clause in their trade agreement with respect to this commodity. Finally, the Department of State made the same inquiry through diplomatic channels and got the same answer.

However, the Department of State even then for more than a year would not invoke the escape clause in the Icelandic trade agreement and remove tuna in brine from its effects. It did so only after tuna in brine had been bound at 12½ percent ad valorem in 1955 under the newly negotiated trade agreement with Japan.

At the same time the Department of State announced, in one of its many press releases, that it not only had removed tuna in brine from the Icelandic trade agreement for the aid of the domestic industry, but has established a quota for it of 20 percent of apparent annual consumption of canned tuna in the United States. Any tuna in brine imported above that amount in any year would bear a duty of 25 percent ad valorem.

The complete ineffectiveness of this action is reflected by the fact that tuna in brine has never reached a level of 20 percent of apparent annual consumption of canned tuna in the United States nor is such a product ever likely so to do. Furthermore, if the tariff on tuna in brine were 25 percent ad valorem as against 35 percent for tuna in oil, it is our opinion that tuna in brine would disappear as a commodity from world commerce.

3. Growth of the Japanese long-range tuna fleet

In 1952 the Japanese decided to increase their long-range tuna fleet. Accordingly, the special balance law was passed by the Diet which subsidized the construction of large-sized long-range tuna vessels. It was a temporary law, expiring in 1956. It was a law which substantially altered the balances of the tuna trade between Japan and the United States, affected the whole world trade in tuna, and in fact created a world tuna trade, world tuna market, and world tuna prices.

Under the stimulus of this temporary subsidy law the Japanese built a new long-range tuna fleet which increased the number of vessels in the category of

100 gross tons and over from 272 up to 567, which is an increase of 109 percent, and increased the carrying capacity of that long-range fleet from 24,428 tons to 70,878 tons, which is an increase of 190 percent.

Our own tuna clipper fleet at the end of 1956 had been reduced to 153 vessels with a carrying capacity of 35,035 tons. Thus in 4 years' time, under subsidy of the Japanese Government, the Japanese tuna-fishing industry built an entirely new fleet which increased their long-range fleet by considerably more than the size of our total fleet.

With this new fleet the Japanese have penetrated the tropical and subtropical oceans of the world. First they expanded throughout the Pacific, then in 1953 to 1955 they expanded throughout the tropical and subtropical Indian Ocean. At last in 1956 they entered the Atlantic Ocean and in the last 12 months have extended their tuna fishery throughout the tropical and subtropical Atlantic.

The expansion of the Japanese tuna fleet as to size and as to area of operation was accompanied by the formation of the Japanese Overseas Fisheries Development Association financed by the Japanese Government so that the full diplomatic effort of the Foreign Office, technical effort of the Ministry of Agriculture and Forestry, and trade effort of the Ministry of Internation Trade and Industry could be combined behind the expansion of the Japanese tuna fishery to dominance in the world tuna-fishing areas and world tuna-sales centers.

Under this agency trade agents are kept in residence on both the east and west coasts of the United States; concessions to operate tuna vessels out of Cuba have been obtained; concessions to settle fishing families in the Dominican Republic have been secured; bases at Bermuda with free port privileges for transhipment of Atlantic tuna catches to the United States are under negotiation; rights to operate vessels out of Brazil, including fueling, freezing, provisioning and sale of product have been obtained and are being exploited; trade representatives are in permanent resident in Italy to sell the product of the New Atlantic fisheries; joint fishing companies have been established in Iran, Iraq, and Pakistan which permit the use of Japanese-flag vessels out of ports of those countries; the use of a base for long-range vessels at Hombassa is under negotiation; basing, fueling, and transhipment of catch rights for vessels have been obtained at Singapore; a base capable of handling 100 tuna vessels and freezing and shipping their catches is under construction on the west coast of Thailand; a joint American, British, and Japanese tuna-producing company has been established in the New Hebrides under agreement between Japan and Great Britain; fishing rights for tuna vessels have been obtained and are being exercised in American Samoa by another one of the executive decisions that always seem to go against the welfare of the domestic industry in the United States; basing right for Japanese vessels have been obtained in Chile; similar rights are under negotiation in Peru, Ecuador, Venezuela, and Mexico; and an exploratory Japanese tuna-fishing vessel is working out of Tahiti through French Oceania by arrangement with France.

While this expansion of fleet, working area, and basing privileges has not yet come to an end the results already obtained have been formidable. These long-line vessels catch mostly yellowfin and bigeye tuna.

The catch of these two kinds of tuna has risen in Japan in recent years in this fashion:

	Tons		*Tons*
1950	27,359	1954	79,971
1951	68,841	1955	113,617
1952	55,459	1956	136,673
1953	66,098		

As the catch of these kinds of tuna have risen in Japan their export to the United States has risen in this fashion:

	Tons		*Tons*
1950	[1] 1,000	1954	[2] 19,104
1951	[1] 1,259	1955	[2] 23,907
1952	[2] 3,358	1956	[2] 27,319
1953	[2] 5,555		

[1] Estimated.
[2] Japanese Government figures.

This heavily subsidized expansion of fleet, production, and export of yellowfin tuna is not comparable with any activity of the United States Government in any of its commercial fisheries. With the Japanese tuna fisheries being expanded practically as an arm of the Japanese Government, and the executive

branch of the United States Government consistently opposing every move our industry has made to better its lot, we have been caught in a bind with which we have been unable successfully to cope.

4. Growth of the Japanese Government sponsored tuna cartels

The crisis in the United States tuna industry in 1951 and 1952 arose from the dumping of canned tuna in oil on this market in the last half of 1950. The Japanese Government and the tuna-canning industry of Japan collaborated to straighten out the market mess they had caused here then for two reasons: (1) It had caused bad publicity for Japan in the United States and almost resulted in legislation being passed by Congress which would have defeated the Japanese long-term objective of dominating the United States tuna market; and (2) the upset market here had lowered the dollar income to Japan from United States tuna sales and caused distress among Japanese tuna canners.

The upshot of this collaboration was the formation of the Japan Canned Tuna Export Fishery Association in Japan which consisted of most of the canners and exporters engaged in exporting canned tuna to the United States. This group formed the Tokyo Canned Tuna Sales Co., through which all of the members sold their canned tuna to the United States. This sales company regulated the kinds of canned tuna that could be sent to the United States, the volume of each kind that could be so exported, and the prices at which the exports could be sold in the United States as well as supervising the quality of the product. Legislation was adopted to make all of this legal in Japan. The operation of the sales company and the association was in the hands of private industry but policy, and occasionally specific operations, was under the direction of the Ministry of International Trade and Industry and the Ministry of Agriculture and Forestry with the concurrence of the Foreign Office.

In 1952 the albacore catch in Japan was much the largest it had been to that date and at a level that was not equaled again until 1957. This produced substantial strain in the frozen-tuna half of the Japanese tuna-export industry, as well as starting the disintegration of the Japanese system of voluntary quotas which had been adopted to cause the defeat of our legislation earlier in 1952.

The consequences of this situation together with the fact that the canned-tuna producers and exporters were tightly organized, was that the producers and exporters of frozen tuna also organized into similar organizations similarly related to the Japanese Government the All Japan Frozen Marine Products Export Association and the Frozen Tuna Sales Cooperative Co.

The effect of these two combinations of tuna exporters in Japan has been to set up stresses and strains in the Japanese Government which have at times permitted close controls of exports to the United States and at other times have almost eliminated those controls, to establish competitive relations between the Japanese canners and the Japanese frozen-tuna exporters in Japan which have at times forced the tuna price in Japan well above the world tuna price and at other times has depressed it well below the world tuna price, and to generally keep the tuna market in Japan and in the United States upset.

These combined, have, whether legally or illegally, undertaken for varying intervals of time with varying degrees of success in recent years, to do the following:

1. Limit the sale of tuna canned in oil to the United States to a nominal level so that they will not be accused of upsetting the canned-tuna market;
2. Limit the sale of tuna canned in brine to restricted market areas in the United States;
3. Limit the sale of tuna canned in brine primarily to the institutional trade so they could not be accused by United States canners of disturbing the normal trade in consumer-size cans in this country.
4. Prevent the sale of cooked loins and disks of tuna to California canners in order to prevent the cannery workers of California from joining with fishermen in demanding restrictions on tuna imports;
5. Limit the total sale of Japanese frozen albacore in the United States:
6. Limit the sale of frozen albacore to specific canners in the United States;
7. Establish the prices at which frozen tuna can be exported to the United States;
8. Establish the volume of frozen tuna that can be exported to the United States; and

9. Regulate the price at which Japanese imported canned tuna in the United States can be sold at the wholesale level.

Typically, these restrictive moves have followed this pattern: A restriction has been put into effect which, either as to price or volume, stabilized a sector in the American market. This restriction causes the inventories of that particular tuna commodity to build up in Japan. This buildup in inventory in Japan creates credit problems for the Japanese firms holding the inventory, many of which are small and without solid long-range lines of credit. These firms bring pressure upon the appropriate agency of the Japanese Government to remove the restriction. After a longer or shorter period of haggling, during which time economic pressures continue to rise against the artificial dam of the restraint, the agency gives in and the pent-up flood hits the American market. This caused repercussions in the American market which not only affects adversely the United States tuna industry but backlashes into the other sector of the Japanese tuna industry.

This pattern has been repeated both with frozen- and canned-tuna exports from Japan for the past 7 years to a degree that the tuna-canning and tuna-producing industries both in Japan and the United States have become most uncertain and undependable. The classic and latest case of this was the dumping of frozen albacore in this market in the last half of 1956 and first quarter of 1957, which will be detailed below, and which is the immediate apparent cause of our industry's present crisis.

Further and further corrections to this situation have been applied by the Japanese Government until in May of 1957 the Japanese Diet made changes in various trade antimonopoly and export laws which not only permitted but practically forced the export trade in tuna into two tightly held cartels, one for canned tuna, the other for frozen tuna; both under the detailed control of the Japanese Government through the Ministry of Agriculture and Forestry, the Ministry of International Trade and Industry, and the Foreign Office.

Aside from coming within the purview of article 18 of the Treaty of Friendship Commerce and Navigation between Japan and the United States, the restrictive practices now used by these two government sponsored cartels in the United States tuna market would appear to be clearly contrary to section 337 of the Tariff Act of 1930, as amended. We have been informed that these facts with supporting data have been supplied to the Department of State, Treasury, Commerce, Interior, the United States Tariff Commission, and the White House. We are not aware of any studies that are underway to determine whether or not United States law or treaty obligations of Japan are being violated in the manner suggested.

Early 1954 was, generally speaking, a good period for the American tuna producer—especially after having followed the very slim period of 1951, 1952, and 1953. Prices were high, demand was good, and fishing was average.

By early fall of 1954 however, the weight of the rapidly growing imports of frozen yellowfin tuna made itself felt on the market and a downward price adjustment was made by the domestic fishermen of $20 per ton. In early 1955 the market was still plugged with tuna and our boats were again being delayed in unloading. Our fish price was once again cut by $20 per ton. This second price drop did not bring the desired result. The boats were delayed longer and longer in unloading. Finally on August 1, 1955, a $40 per ton price cut was made. These 3 cuts, totaling 23 percent of the 1954 price, brought the price of yellowfin tuna to $270 per ton and of skipjack tuna to $230 per ton. Taking the prices of the period 1948 and 1949 as being 100 percent, the price level of August 1, 1955, represented 69.4 percent. How these declines in price affect the individual fisherman's earnings are marked appendix III attached hereto.

The continued long delays in unloading and the repeated lowering of prices made 1955 the worst year economically that this fleet has had since the depression days of the early 1930's. Vigorous representations were made to the United States Government to give us some relief from the overwhelming burden of increasing imports. Our pleas were finally sufficient to cause the White House to establish a Tuna Task Force comprised of representatives from the Departments of State, Defense, Treasury, Labor, Interior, and Commerce. This finally resulted in a report released in late July 1955 in the form of a letter from Jack Martin, Presidential Assistant, to Senator Kuchel and Congressman Bob Wilson.

This report was notable for three things.

1. No import controls were thought to be desirable or necessary.

2. The date of the report was so late in the congressional session that it would be impossible for the industry to obtain any relief through legislative means; and

3. The report suggested several ways in which these six departments of the executive thought that the United States Government could aid the industry in helping itself out of its economic difficulties.

The State Department, Mr. Martin said, would make inquiries of the Japanese Government with a view to raising the wages of Japanese tuna fishermen and to see if there was a violation of GATT in this respect. However, the wages of Japanese tuna fishermen then and now were well above the average for Japanese industry and most Japanese tuna fishermen then and now earn more than most Japanese college professors.

These rudimentry facts were known even to us. We have never heard further of any State Department inquiries in this matter.

The Small Business Administration, Mr. Martin said, would give priority attention to loans to tuna boats. I am informed after making numerous applications for such loans and the industry followed them up in detail for some months, all loans to tuna boats were rejected by the Small Business Administration on the grounds that there lacked the assurance that the loan could be repaid out of earnings. This was hardly news to anyone in the producing end of the industry.

The United States Fish and Wildlife Service, Mr. Martin said, would continue its vigorous program of aid to the industry and consider expanding it even further. The Fish and Wildlife Service was doing nothing for us at the time that we knew of. After investigating this avenue for some months, spokesmen for the producers informed the President that if the whole Department of the Interior went out of business we would not notice it in our cost per ton of production of earnings.

The other lines of purported relief, upon investigation, all turned out to be similar humbug. During the course of these studies by the task force and our investigation of their sterile recommendations we found out that the Branch of Commercial Fisheries hidden over in a corner of the Department of the Interior had been pretty well ignored by the White House and the task force and we were sent to the Department of Commerce for relief and consultation.

This whole turn-around procedure disgusted us so that we determined to start right back at the beginning and see if the Congress would establish a policy for the commercial fisheries of the Nation and establish in the executive an agency on a policymaking level competent to implement the policy.

We made such representations to the Senate Committee on Interstate and Foreign Commerce in November 1955. Legislation was introduced in January 1956 to accomplish these objectives. The result was the Fish and Wildlife Act of 1956 which reorganized the handling of commercial fishery matters in the Federal Government, established a bureau of Commercial Fisheries in Interior, created an Assistant Secretaryship in Interior for Fish and Wildlife, and clearly established the policy that the purpose of the legislation was to create conditions that would build a vigorous and prosperous fishing industry in the United States.

The Department of State kept its record of working against the interest of the domestic tuna fisheries clear by opposing this legislation in committee; the bill did become public law, however, on August 7, 1956.

During the course of this legislative campaign one of the most peculiar actions taken against the domestic tuna fishing industry by the executive occurred. On August 29, 1956, the Federal Trade Commission issued a complaint against every union, every cooperative and every canner in the west coast tuna industry. In the case of the unions and cooperatives the individual officers, staff members, and members were cited individually as well as collectively. All sorts of illegal activities were charged, such as restraint of trade which raised tuna prices, attempting to block tuna shipments from Japan, etc. The complaint read more like an attempt to discredit the entire tuna industry than like a legal indictment for malfeasance. Our suspicions were heightened when we heard that the Department of the Interior and the Department of Justice had recommended against bringing such an action against the cooperatives and unions in the tuna industry and that the Federal Trade Commission had moved against these agency recommendations.

There may have been some deeper seated motives behind this Federal Trade Commission action than we know about, but it will take a good deal of explana-

tion to convince the tuna fishermen that this was anything much more complicated than a punitive fishing expedition inspired by the Department of State to scare us into cessation of legislative efforts to secure import controls. This suspicion was only heightened when, after nearly a year of investigation, the Federal Trade Commission offered a consent decree which so benefited the unions and cooperatives that it was obviously better business judgment to accept the decree than contest the original accusations in court.

In 1956 the domestic tuna industry again suffered one of those blows from Japanese imports that have gradually hammered it to its knees in the last 7 years.

During the winter albacore season in Japan, which extends from late November through March, the Japanese canners and the Japanese frozen tuna exporters contested vigorously for the catches of the Japanese albacore fishermen. As a consequence the prices tended steadily upward over the prices of the same period in the previous year, despite the fact that we had cut our prices in the meantime by $80 per ton.

On April 7, 1956, our price cuts of the previous year were finally reflected by a cut of $2 per case in the wholesale price of canned tuna in the United States. This resulted in an immediate upsurge in the sale of canned tuna in the United States. Under the impetus of this movement the Japanese frozen tuna exporters steadily drove the ex-vessel price of albacore upward in Japan through the summer season. The catch of albacore during the 6 weeks from June 1 to July 15 was about 20,000 tons above the same period of the former year and expectations.

In April the All Japan Frozen Tuna Export Fisheries Association had formed the Frozen Tuna Export Cooperative Co. to handle all sales of its members to the United States.

In late September the west coast tuna trade learned that there were about 15,000 tons of frozen albacore in warehouses that the Japanese frozen tuna cartel was intending to dump on this market at something over $100 per ton less than their cost of production. This news produced two results in early October: The price of albacore to domestic fishermen dropped from $375 to $300 per ton, and the industry filed an antidumping complaint with the Secretary of the Treasury.

This industry is now calloused from its treatment at the hands of the executive but this time we thought that there was no way in which the Secretary of the Treasury could avoid his responsibilities under the law and refuse to prevent this dumping. Even the Japanesse freeley admitted that the price at which they were preparing to sell this 15,000 tons of frozen albacore in the United States was $120 per ton below what it had cost them to produce. However the Department of the Treasury once more cut the free trade pattern and on March 1, 1957, announced that there had been no sales at less than fair value nor were any expected.

The consequence was that the Japanese dumped the whole lot of albacore in this market at more than $100 per ton less than its cost of production.

This has been the final straw which has broken this industry. The results which have already flowed from this action are these:

1. The domestic albacore price opened at $300 per ton, rose briefly to $310 per ton, and then when the fish began coming in dropped to $280 per ton.

2. The bluefin price which opened at $260 per ton, dropped to $240 per ton, then to $210 per ton, and we understand it is now being offered as low as $150 per ton.

3. The canners started to slow down the unloading of tuna clippers in the first week of June. By the second week of August, when unloading stopped entirely, the vessels had been waiting for 40 days to unload. There was every indication that there would be no further unloading before mid-October. There were 40 vessels in harbor with 8,000 tons of fish aboard. Accordingly, on August 19 the price of yellowfin and skipjack tuna declined by another $40 per ton so as to get the vessels unloaded.

This has been a move of desperation. I do not believe tuna clippers can operate profitably under the best of conditions at prices of $230 per ton for yellowfin and $190 per ton for skipjack tuna. I know fishermen cannot make living wages at these price levels. The very best that can happen as a result of this move is that 50 of the 153 vessels left in this fleet will go broke and be removed from the fishery. The worst that can happen is that the whole fleet will be tied up, and either one is a calamity for the fishermen.

The trade laws of this country provide that they will be implemented in such a manner as to increase the flow of imports so long as that increase does not seriously injure or threaten to seriously injure a domestic industry. A series of criteria are provided in the law to define serious injury. By every one of those criteria our industry has been seriously injured by increased imports. The Department of State and each of the other executive departments affected have nevertheless consistently opposed every effort we have made to get relief from imports and stabilize this market.

An example of the bitter end opposition of the Department of State to the welfare of this industry and in support of the welfare of the Japanese industry was given in 1955. In the middle of the worst year in the history of this industry up to that date the Department concluded a trade agreement with Japan which—

1. Cut the tariff on tuna canned in oil from 45 percent ad valorem to 35 percent ad valorem.

2. Bound the tariff on tuna canned in brine at 12½ percent ad valorem; and

3. Bound frozen albacore on the free list.

The mockery of hearings before the Committee for Reciprocity Information had been again complied with and as usual the Trade Agreements Committee paid no attention whatever to the information given by the industry, or to compliance either with the intent of the law or President Eisenhower's repeated assurance that no serious injury would be permitted to occur to a domestic industry by reason of the Trade Agreements Extension Act.

The Department of State and the Trade Agreements Committee has, indeed, proceeded deliberately to fragment the tuna import problem so as to put the maximum difficulties in the way of rectifying the problem either by Executive action or by the Congress. The situation of the different tuna commodities under the trade laws is as follows:

1. Frozen yellowfin, skipjack, bigeye, and bluefin tuna bear no duty and are not the subject of a trade agreement. Accordingly, the Executive can do nothing to regulate those imports. The only thing that can be done is for the Congress to enact a law providing for a duty or a quota for this category of tuna commodities.

However, there is no use in the Congress passing such a law because it would affect only one category of tuna commodities. The Japanese would simply shift their imports into other categories which are included in trade agreements and with respect to which it cannot legislate because the United States would then be in violation of its international obligations.

Furthermore this deliberately and cleverly splits the political effectiveness of the tuna industry into two segments, (1) the fishermen who need this protection, who are opposed (2) by the canners who do not want tariffs on frozen tuna unless they can be protected against the Japanese shifting this volume into canned tuna categories covered by trade agreements and presumably outside the legislative reach of the Congress.

Finally the Department of State would bitterly oppose any such legislation as they did the temporary and relatively innocuous legislation proposed by the House Ways and Means Committee in 1951.

This category is actually comprised of three primary commodities:

A. Round, whole tuna;

B. Gilled and gutted tuna which are about 8 percent by weight less than the fish in category 1; and

C. Fillet fish which are about half by weight of the fish in category A.

The Treasury so far have refused to keep these commodities separated in its import statistics, and the valuations it prints are admittedly inaccurate.

2. Frozen albacore are bound on the free list under the trade agreement with Japan concluded in 1955. Obviously the only reason for binding on the free list a commodity already duty free is to remove it from the jurisdiction of the Congress.

However under the trade agreement law it would be expected that this would place frozen albacore within the purview of the escape-clause provisions of that act. Yet when two of the albacore producing cooperatives applied to the United States Tariff Commission in July 1957 for escape-clause proceedings with respect to frozen albacore the Tariff Commission denied them this avenue of relief as little as that may have meant. One of the reasons adduced by the Tariff Commission for denying this application is particularly pertinent. It

said that even if it could give relief on frozen albacore through an import quota this would be of no practical benefit to the fishermen because the Japanese would only send the albacore in the canned form.

3. Cooked and frozen loins and disks of tuna are imported at a duty rate of 1 cent per pound. This equates with a duty of about $8 per ton on round fish. This rate of duty is bound under the General Agreement of Tariff and Trade.

These are two of the new tuna commodities which have arisen not from normal market demand but have been created artificially by administrative decision under the Tariff Act of 1930, as amended. It has been so determined that these two commodities fall within a "basket" category in that act. On the one hand the Japanese save duty by sending tuna in these two forms rather than hermetically sealed in the can; on the other hand they save freight at nominal duty rate by sending tuna in this form instead of as whole round fish.

Quite significantly the Japanese have prohibited the export of these 2 tuna commodities to canneries in the State of California (which can approximately 90 percent of the tuna canned in the United States.) The reason for this is quite frankly stated by them to be to keep the cannery workers of California separated from the California tuna fishermen in demanding relief from imports.

Their fears in this regard are realistic. Tuna loins dispense with half the cannery labor. They only require being cut into proper lengths and put in the can. Tuna disks dispense with most of the rest of the cannery labor. They are already cut to the right length and only have to be put in the can.

These 2 commodities have been increasing in volume sharply for the past 12 months. There has been a strong effort to get the Department of the Treasury to at least keep track of them separately in their import statistics.

4. Tuna canned in brine has already been discussed above. It is now the principal canned tuna commodity imported into the United States. It is bound at 12½ percent ad valorem in the trade agreement with Japan. It also has a quota (so large that it has never yet been reached) of 20 percent of the apparent annual consumption of tuna in the United States.

Like cooked loins and disks this is an artificial commodity created by administrative decision under tariff act of 1930, as amended, rather than by the natural demands of the market. The only reason it enters the market is that its duty is 12½ percent ad valorem whereas the duty on tuna canned in oil is 35 percent ad valorem. We are informed that it is not sold in any other country in the world at this time.

5. Tuna canned in oil is bound at 35 percent ad valorem under the trade agreement with Japan, in which the duty on this commodity was reduced from 45 percent ad valorem. There is no quota on this commodity.

The Japanese restrict the import of this commodity to the United States to a nominal volume in an attempt to keep the tuna canners in the United States from joining politically with their cannery workers and fishermen in requesting import controls from the Congress.

This year the Japanese are having difficulties in enforcing this regulation for the reason that this commodity can be laid down in the United States, duty paid, at $3 per case below the wholesale price level of tuna canned in oil in the United States. Accordingly, the Japanese canners have a great incentive to evade their own Government's regulations. They have been doing so, the Japanese say, by diverting European and Canadian shipments to New York and Boston. At any rate the imports of tuna canned in oil this year so far have been running at about double the rate of last year. In our opinion there is no way out of this mess that the tuna industry has been deliberately forced into by our Government executive department except by comprehensive legislation which will control all forms of tuna imports. In reaction to our needs, Congressmen King, Wilson and Utt introduced identical bills on August 13. Mr. King's bill is numbered H. R. 9237, Mr. Wilson's, H. R. 9244 and Mr. Utt's, H. R. 9245. Senator Magnuson and Senator Kuchel jointly introduced S. 2734 on August 8, a bill having objectives similar to the House bill.

Mr. King's bill would do these things:

1. The total volume of tuna permitted to enter the United States would be 200 million pounds or 35 percent of the apparent annual consumption of tuna in the United States, whichever is the greater.

2. Frozen tuna of all kinds would be treated in three categories:

(a) The first 50 million pounds, or 5 percent of annual apparent consumption whichever is the greater, would be duty free.

(b) The next 90 million would pay a duty of 3 cents per pound and
(c) All over 140 million pounds would pay a duty of 6 cents per pound.

3. All tuna prepared or preserved in any kind of container would pay 35 percent ad valorem duty. This would include loins and disks as well as tuna in brine and tuna in oil.

4. Tuna landed in Samoa, Guam, and the Virgin Islands would be treated as imported tuna.

5. No duties would be collected contrary to international obligations of the United States but the President would be instructed to renegotiate any trade agreements to the extent necessary to make them conform to the act.

The effect of this bill, if enacted, would not be to reduce Japan's trade in tuna with the United States. For the past 3 years it has run between 200 million pounds and 35 percent of the market.

It would not reduce the amount of frozen tuna imports. The average for the past 3 years has been actually a little less than 140 million pounds. It would not cut down the amount of canned tuna they could export to the United States. This has been running at about 60 million pounds per year on a round weight basis.

Nor would it breach an international obligation of the United States. But it would give tuna fishermen some tariff protection to even out the protection tuna canners now have and permit them to earn living wages from their labor. It would eliminate cooked loins and disks from the market and also tuna canned in brine. It also would create a basis of stability in the market which would permit us to once more begin growing and earning.

These minimum objectives we do not feel we can live without as an industry. We hope that you and your Department will aid us in attaining these objectives.

Sincerely yours,

LESTER BALINGER,
Secretary-Treasurer.

APPENDIX I

Number of vessels and total carrying capacity tonnage of tuna clipper fleet working out of west coast ports, 1947 to date

	Number of clippers	Capacity tonnage
Jan. 1:		
1947	140	24,825
1948	161	29,165
1949	189	36,625
1950	193	38,370
1951	199	40,430
1952	212	44,395
1953	191	42,470
1954	180	40,535
1955	170	38,450
1956	158	36,605
1957	153	34,150
Oct. 31: 1957	146	33,875

APPENDIX II

Estimated annual consumption of canned tuna and tuna-like fish in the United States, 1947 to date in standard cases

1947	6,090,000	1953	11,700,000
1948	6,873,000	1954	12,042,000
1949	7,369,000	1955	12,479,000
1950	9,564,000	1956	14,740,000
1951	10,036,000	1957	
1952	10,978,000		

APPENDIX III

Entire bait boat average tonnage per trip, 210 tons

Yellowfin and Skipjack tuna

Price per ton	$350.00-$310.00	$330.00-$290.00	$310.00-$270.00	$270.00-$230.00
Average fish price, per ton	330.00	310.00	290.00	250.00
Gross dollars for sale of fish	69,300.00	65,000.00	60,900.00	52,500.00
Average trip expense	17,000.00	17,000.00	17,000.00	17,000.00
Net after trip expense	52,300.00	48,100.00	43,900.00	35,500.00
Crews' share of net after expense, 48.13 percent	25,171.99	23,150.53	21,129.07	17,086.15
Share per crew member per trip (average, 13 shares per boat)	1,936.30	1,780.81	1,625.31	1,314.33
Average per year, 3 trips	5,808.90	5,342.43	4,875.93	3,942.9

Senator CARLSON. Thank you Mr. Chapman.

The next witness will be Mr. John G. Lerch. Will you have a seat, Mr. Lerch.

STATEMENT OF JOHN G. LERCH, LAMB & LERCH, NEW YORK

Mr. LERCH. My name is John G. Lerch, 25 Broadway, New York City. I am an attorney specializing in the practice of customs law.

I am appearing today in opposition to the enactment of H. R. 12591 on behalf of the following clients:

American Manufacturers of Thermostatic Containers
The Candle Manufacturers Association
Collapsible Tube Manufacturers Association
The Industrial Wire Cloth Institute
The National Building Granite Quarries Association
The Rubber Footwear Division of the Rubber Manufacturers Association
The Toy Manufacturers of the U. S. A., Inc.
The Twisted Jute Packing and Oakum Institute
United States Potters Association
The American Manufacturers of Toy Balloons
Manufacturers of Cotton Veleveteens
Tuna Research Foundation

In my appearance before the Ways and Means Committee of the House of Representatives on March 14, 1958, when this bill was before that committee, I, at some length, reviewed the history and the operation of this trade agreement legislation.

At the request of the clerk of your committee to make my presentation as brief as possible, and in order to save duplication and your time, I ask that my statement before that committee be made a part of my appearance today.

Senator CARLSON. It will be, Mr. Lerch.

Mr. LERCH. However, in view of subsequent developments, there are a few points that I would like to develop before your committee.

When the Trade Agreements Act was proposed in 1934, in appearing against its enactment, we stressed the unconstitutional delegation of power by Congress to the executive.

Under article I, section 8, of the Constitution, only Congress has the power to—

lay and collect taxes, duties, imposts and excises, to pay the debts and provide for the common defense and general welfare of the United States; * * *.

There can be no question but that the power to increase or decrease the duty collected upon imports into the United States, at the discretion of the executive, without the Congress prescribing limitations and directives, is an unconstitutional delegation of power imposed exclusively on the Congress of the United States.

At each of the extensions of the Trade Agreements Act, we have invited the attention of the Congress to this phase of the Trade Agreements Act. Since H. R. 10368 was introduced at this Congress, we have read in the Congressional Record extensive comment, both in this body and in the House of Representatives, of able members of the legal profession as to its unconstitutional delegation of power to the executive.

After waiting for years for Congress to pass the law reinstating section 516 (b) of the Tariff Act of 1930 with respect to trade agreement concessions, we have perfected a suit in the United States Customs Court, *Star-Kist Foods, Inc.* v. *The United States* (Protest No. 258737-K). This case has been tried and briefed and is now awaiting decision by the United States Customs Court.

The ultimate outcome of this litigation will undoubtedly decide the constitutionality of the Trade Agreements Act. In the ordinary course of events, this litigation should be concluded in not more than 2 years. We suggest that this is an additional argument against the extension of the Trade Agreements Act for a longer period than 2 years.

The proponents of H. R. 12591, now pending before this committee, make much of an alleged concession made by the administration in the amendment which provides for a reversal of the President's decision under the escape clause by a two-thirds vote in each House of Congress.

As we have stated, it is inherent in the power of Congress, under our Constitution, to levy taxes, duties, imposts, etc.

This can be done by a simple majority vote of each House of Congress. In other words, under established procedure, if the President refuses to proclaim the findings of the Tariff Commission. The enactment of a law purporting to require a two-thirds vote to accomplish what Congress inherently can do on a majority vote imposes another factor in the question of the constitutionality of the abnegation of congressional powers in the form of an attempt to place in the Executive unlimited discretion to exercise a power reserved to the Congress of the United States by our Constitution.

In the current issue of Life magazine (June 23, 1958), at page 96 begins an article entitled "Steubenville, Ohio, Meets the World." Since, among others, I am appearing for the pottery industry, I was intrigued by the pictures of my clients as well as other businessmen of Steubenville, and the paragraphs written thereunder.

On reading the beginning of the text of the article, I was impressed by the clear perception displayed by its author of the damaging effects of Japanese imports on the economy of the city of Steubenville. I had but to read on to find that there was another industry in Steubenville, the steel industry, that manufactured steel which it shipped to Japan and which found these exports very profitable.

The article proceeds to develop the theory that it is more beneficial to the economy of the United States to maintain the export trade of the steel plants of Steubenville than to preserve the pottery industry,

although lip service is paid to the prospects of this policy reaching into major industries, which could result in serious economic embarrassment.

In the article it is mentioned that our exports of steel are paid for by the imports of pottery that we receive from Japan.

Therefore, since the pottery industry of Steubenville is less important to that city than the steel indusry, the pottery industry should be sacrificed on the altar of foreign trade.

To any thoughtful reader of this article, several pertinent questions flow from this premise:

How many industries in the United States find themselves in the same position as the pottery industry of Steubenville?

How much of the steel exported from Steubenville finds it way into the manufacture of machine tools, toys, and other fabricated articles which are shipped to the United States to compete with American manufacturers?

How long will the Steubenville steel manufacturers continue to export their material, when low labor cost countries such as Germany, Russia, etc., decide to supply Japan with its needs, at less than we can supply them?

Among other questions that could be put to these one-world, free-trade economists that seem to be dictating the policy of the unconstitutional delegation of power to the Executive are those questions relating to the ever-changing flow of currency; the shifting supply of gold; the ever-expanding invasion of our export trade by Germany and Russia and many others, which deliberately or by inadvertence have not been considered in this article.

The answers to all of these questions and many others were supplied by Representative Daniel A. Reed when this bill was before the House of Representatives—Congressional Record, volume 104, No. 92, page 9472, June 9, 1958. These will bear careful analysis by your committee.

It would seem that every industrial country in the world except the United States realizes that its economy cannot be preserved if foreign merchandise is permitted to enter its commerce at less than it can be produced within its own borders.

For a century before 1934 we, too, realized this and, with few exceptions, our tariff rates were calculated on this basis. That this principle should become permanent and workable, section 336 of the Tariff Act of 1922 was enacted.

If one will take the trouble to investigate the provisions of this section, it will be found that it was intended to set the formula for all tariff legislation and to take the tariff out of politics and place it upon an economically sound basis. Had this formula been adhered to, we are convinced that the Trade Agreements Act of 1934 would never have been passed.

In retrospect, let us see what has happened since 1922. When we announced to the world by legislative enactment that our measure of tariff protection (sec. 336) was to be the exact equalization of cost of production in the United States and in the principal country of exportation to the United States, apparently that satisfied all of our competitors, for there were relatively few actions brought under this section by importers or domestic interests between 1922 and the enactment of the Trade Agreements Act in 1934.

In 1934, with the passage of the Trade Agreements Act, Congress suspended the operation of section 336 as to all rates reduced under that act. Its application to rates which have been reduced under the Trade Agreements Act has never been restored, although the act itself remains on the books.

It has been said that to permit section 336 to operate would ruin the whole policy of the Trade Agreements Act. This in itself is an admission that the negotiated rates will permit the introduction of manufactured products into the markets of the United States at less than they can be produced here.

Assuming this to be true, how long can we continue our system of free enterprise, either on the part of labor or industry?

Again, under this system, how long can be maintain our present economy or remain one of the leading industrial nations of the world?

While we remain firmly of the belief that the economy of the United States would be best served by permitting the Trade Agreements Act to expire on June 30 of this year, if it is to be extended, we strongly recommend the enactment of the Simpson bill, H. R. 12676, for a period not to exceed 2 years.

Senator CARLSON. Senator Bennett?

Mr. Lerch, we appreciate your appearance before the committee.

Mr. LERCH. Thank you.

(Mr. Lerch's prepared statement follows:)

Reviewing the alleged accomplishments of the trade-agreements program over its period of operation, we come up with the fact that some rates that were 90 percent in the act of 1930 are now as low as 22½ percent; rates that were 75 percent are now as low as 24½ percent; and rates that were as low as 20 percent are now 5 percent ad valorem. I have selected the foregoing three examples as being indicative of what has happened to the range of tariff rates found necessary in 1930 to protect the industries involved. In the quarter of a century that has followed, practically every economic factor in the United States has moved upward, whereas foreign labor and material costs have remained reasonably static, or in some cases diminished. Thus, the breach between domestic and foreign costs has widened; protection of American industry has been consistently narrowed.

During the existence of the trade-agreement policy, Congress has recognized some of the fallacies of the program and its effect on American industries, and American economy, by restoration of the provisions of section 516 (b) of the Tariff Act of 1930, which permits an American manufacturer to challenge in our courts the rate applied by the Collector of Customs, and by the enactment of the so-called escape clause, in subsection 7 of section 350 of the Tariff Act of 1930, as amended. Congress has not yet brought itself to reinstate section 336 of the Tariff Act of 1930, the flexible tariff provision, which was suspended as to all rates reduced under the Trade Agreements Act of 1934. Prior to 1934, section 336 provided American industry with a medium through which it could assure itself of reasonable tariff protection against unfair foreign competition.

Although I have read much of the writings of economists, and self-appointed economists, on the idealistic benefits of free trade on the overall economy of the United States, I have yet to find a logical explanation of how the introduction of foreign merchandise into a competitive market in the United States, with its attending results in unemployment and impairment of capital, benefits the overall economy of the United States.

Nor have I found any explanation of why we should permit the introduction of foreign merchandise into our markets at a price which is less than it costs the American manufacturer to produce it. Our statute books are replete with laws that govern merchandise entering into interstate commerce, such as unfair practices, monopoly, and other provisions governing competition between American producers. By the operation of the Trade Agreements Act, in effect, all of these measures are ignored in actual practice, if not officially.

Where can there be any logical reason for permitting a foreign producer to introduce into the competitive markets of the United States a product which

can be sold for less than the bare costs of material and labor of a competitive domestically produced article? The purpose of many United States statutes is to prohibit just such practices between domestic producers in the markets of the United States. Why, then, permit vendors of imported merchandise to circumvent these very statutes?

From the above illustrations, we submit that Congress should adhere to its policy of 1930, which was intended to insure the bringing of foreign merchandise into the United States at not less than the cost of production of competitive merchandise produced in the United States. This can be prevented only by an act of Congress, so stating, or by reinstatement of the flexible tariff, section 336 of the Tariff Act of 1930.

The Trade Agreements policy was originally enacted in 1934. Its extension is now before this committee. It may be helpful to pause long enough to examine the intent of Congress in framing the original Trade Agreements Act; it appears in section 350 (a). Succinctly outlined, the intent of the Congress was stated to have been:

Expanding foreign markets for the products of the United States.

Assisting in the "present" emergency in restoring the American standard of living.

Overcoming domestic unemployment and the "present" economic depression.

Increasing the purchasing power of the American public.

Establishment and maintenance of a better relationship among various branches of American agriculture, industry, mining, and commerce.

Regulation of the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets.

Affording corresponding marketing opportunities for foreign products in the United States.

This was 24 years ago. In the meantime, under the operation of this law, the then existing tariff rates, averaging approximately 50 percent ad valorem, have been reduced to what is now an approximate average of 12 percent ad valorem. No one can challenge the zeal with which the agencies charged with the administration of this act have applied its provisions.

Reexamining the intent of Congress, as above outlined, and applying its various aspects to the economy of today, as we know it, one might readily question the practicality of reenacting an act of Congress designed to accomplish those results. After 24 years of the operation of the present act, we find ourselves in the same position that gave rise, according to the stated intent of Congress, to the enactment of the original Trade Agreements Act. It would seem to follow as a logical conclusion that in a quarter of a century of its application, if the stated purposes of the act have not been realized no miracle can be anticipated during the proposed period of its extension which will accomplish those results.

I appeared in opposition to the enactment of the Trade Agreements Act in 1934 and have appeared in opposition to each of its extensions since that date. In my original appearance, I called attention to the unconstitutional delegation of power by the Congress to the Executive. In each of my subsequent appearances, I have repeated my views on the unfettered discretionary power delegated to the President by the Congress, which our Constitution reserves solely to the Congress of the United States.

After years of effort, we have perfected an appeal to our Federal courts to test the constitutionality of this act. This appeal is now pending in the United States Customs Court, *Star-Kist Foods, Inc. v. The United States* (protest No. 258737-K). This case has been tried, briefed by the plaintiff, and is awaiting a reply brief by the United States. A decision on the merits of this issue is expected in the near future. We give this as one more reason why the terms of the present act should not be extended at this time. Again, we propose the inquiry, if remedial legislation is in order to stem the tide of our receding economy, might not a more deliberate study on the part of Congress bring forth a more effective medium? At least one that would come within the powers expressly delegated to the Congress by our Constitution?

In the course of the present hearings, there have been proposed various methods for the administration of the Trade Agreements Act in the event of its extension.

One of the proposals is to give to the Tariff Commission, under certain conditions, the right to transfer commodities from the free list to the dutiable list and from the dutiable list to the free list. As I have pointed out, the right to levy taxes is, by our Constitution, reserved to the Congress. When Congress enacted the free list of the Tariff Act, it enumerated those commodities which were not to be taxed. The placement of these commodities on the dutiable list by the Executive is effectually levying a tax.

In other testimony of the proponents of the bill, constant reference has been made to the fact that Department of Commerce statistics show imports for the year of 1957 as $13 billion, whereas exports in 1957 are reputed to have amounted to $19,500 million. Secretary Weeks commented upon the fact that the export figure represented 6 percent of the Nation's output.

The use of the foregoing figures in this connection, we believe, is misleading. In Summary Report FT 900–E, dated December 1957 and released on February 10, 1958, by the Secretary's Department of Commerce, the following appears in a footnote of that report:

> "Export statistics include Government as well as non-Government shipments to foreign countries. The export statistics, therefore, include mutual-security program military aid, mutual-security program economic aid, and Department of the Army civilian supply shipments. Separate figures for mutual-security program military aid (including direct forces support/consumables and construction) are shown in table 1."

Another footnote on the same report states:

> "The value for exports is the selling price (or cost, if not sold) including inland freight, insurance, and other charges to the place of export."

Obviously, these figures are used to show the comparative benefit or injury that may accrue from the stated volume of exports and imports.

May I call to your attention that the import statistics in Summary Report FT 900–E represent bare costs at the point of shipment to the United States, wholly exclusive of ocean freight, insurance, United States import duties, and the cost of clearing the merchandise through United States customs. If the import statistics were to be adjusted to represent the value at the point they enter competition with American-made merchandise, the $13-billion figure would be adjusted materially upward.

In comparison with American standards, it is common knowledge that the great bulk of foreign-made goods are produced with low-cost material, and with wages that would not even approach United States minimum wage law standards.

Prior to enactment of the Trade Agreements Act of 1934, the standard of tariff protection recognized by section 330 of the Tariff Act of 1930 was a tariff which would equalize the cost of production here and abroad. If this standard were adopted as the basis of statistical information, instead of the foreign invoice price, the $13-billion figure would be further adjusted to a point where it is reasonable to believe it would approach if not equal the $19,500-million export figure.

To the uninitiated, the export figure conveys the idea of products produced for the purpose of entering foreign trade. Mutual-security program military aid, economic aid, Army civilian shipments, and similar items now included in our export figures would still be with us whether or not we have a trade agreements act.

As I have tried to point out here, we feel there is no logical justification for extension of the Trade Agreements Act.

However, if it is found expedient, in the judgment of the Congress, to extend this bill for 1 or more years, we strongly recommend that the bill be amended to incorporate the provisions of a bill introduced by Mr. Simpson of Pennsylvania into the 1st session of the 83d Congress, H. R. 4294. This bill provides for a revamping of the congressional factfinding agency, the United States Tariff Commission—the removal of the discretionary power of the President over escape-clause findings—and various other features that would go a long way toward making the delegation of legislative authority by Congress come within the constitutional powers of Congress.

I have read with great interest the comments of various Members of the House of Representatives in the proceedings on the floor of the House, on Monday, February 24, 1958, appearing at pages 2290–2304 of the Congressional Record of that day (vol. 104, No. 28). I believe the views and the arguments there set forth comprise as able a brief as can be written against the extension of the Trade Agreements Act. I commend them to your careful consideration.

I wish that my time would permit me to enlarge upon and pinpoint the arguments there made—as to the unconstitutional delegation of discretionary power to the Executive, the policy of the Executive in ignoring, or failing to administer, the acts of Congress, but above all, the policy of free trade economists in our Department of State with respect robbing Peter to pay Paul.

It is axiomatic that when you reduce the tariff protection afforded an existing industry (Peter), to encourage the exports of another industry (Paul), you are robbing Peter to pay Paul. This occurs every time the State Department economists reduce a rate in a trade agreement. But this is not all. In the few instances where the State Department economists have allowed the escape clause to function, it has immediately published schedules of other commodities upon which reductions are offered for negotiation in compensation for any increases made. So sacred has become a concession made in a trade agreement that even where Congress has exercised its constitutional obligation by enacting a remedial statute, compensatory reductions on other commodities have been offered and effected. I am unable to find a single provision of the Trade Agreements Act of 1934, or any of the acts extending it, that contemplate such action, much less requires it.

The following are examples of discretion run wild.

On August 18, 1955, the President disregarded the recommendations of the United States Tariff Commission under an escape-clause action and proclaimed a niggardly increase in the rate on certain types of imported bicycles.

Subsequently, the Interdepartmental Committee on Trade Agreements gave notice of intention to negotiate under article XIX of GATT, in the following language:

> "Notice is also given of intention to negotiate under article XIX of the general agreement regarding compensation to contracting parties to the agreement that have a substantial interest, as exporters, for the recent escape-clause action by the United States increasing the duty on bicycles, should such negotiations be found appropriate. Accordingly, some of the items in the annexed list may be considered for possible compensation for this action of the United States" (T. D. 53906).

On July 8, 1954, Public Law No. 479 of the 83d Congress was enacted by Congress and approved by the President, setting forth its intended application of paragraph 1530 (e) of the Tariff Act of 1930 to rubber-soled footwear. This was a corrective measure defining the intent of Congress, with no alteration of tariff duties. However, we find the following in a release by the State Department, dated November 12, 1954, covering proposed negotiations with GATT:

> "Notice is also given of intention to negotiate settlement of several outstanding problems arising out of various actions by the United States. Negotiations are contemplated looking to such modification of trade agreement obligations as may be necessary in view of the enactment of Public Law 479 of the 83d Congress relating to certain rubber-soled shoes and Public Law 689 of the 83d Congress relating to certain prepared fish. In addition the United States modified its concession on figs, fresh, dried, or in brine, as a result of an escape-clause action. Finally, the United States did not find it possible to carry out obligations negotiated with Uruguay with respect to certain meat products. Among the possible outcomes of these negotiations might be a granting of such concessions on some items in the annexed list as may be necessary to compensate for the above actions of the United States."

I submit that the above illustrations clearly show a determination on the part of the State Department and the Executive to take from Congress, under the alleged authority of the Trade Agreements Act, its constitutional obligation "to lay and collect taxes, duties, imposts, and excises * * *" (art. I, sec. 3, U. S. Constitution).

To sum up and reiterate what has already been said herein, we feel there is no logical justification for the proposed extension of the Trade Agreements Act.

Respectfully submitted.

J. G. LEECH.

Senator CARLSON. The next witness is Mr. Richard A. Tilden, Clothespin Manufacturers of America.

Mr. Tilden, you may file a statement if you care to, and speak extemporaneously or you may read it.

STATEMENT OF RICHARD A. TILDEN, GENERAL COUNSEL, CLOTHESPIN MANUFACTURERS OF AMERICA

Mr. TILDEN. I think the statement is rather brief and I would rather read it if I may.

Senator CARLSON. You may proceed.

Mr. TILDEN. My name is Richard A. Tilden, attorney, practicing in New York, and I appear on behalf of the Clothespin Manufacturers of America, a trade association representing all of the domestic producers of wooden clothespins.

The domestic wooden clothespin industry began its battle for protection from low-priced imports of spring clothespins almost exactly 10 years ago. During 1947, the industry consisted of 13 plants located in 8 States, which produced and sold 9,300,000 gross pins.

After 10 years of trying to invoke the escape-clause procedure, including four investigations by the Tariff Commission, I have to report virtually complete failure.

The industry now consists of only 6 plants. During this 10-year period, 7 of the 13 plants have either closed down completely or discontinued the production of clothespins. These seven plants were located in Phillips, Maine; Glen Rock, Va.; San Jose, Calif.; Richwood, W. Va.; Ellsworth, Maine; Munising, Mich.; and Spencer, Ind.—all small towns in which the loss of the employment opportunities previously afforded by the clothespin plants was particularly serious.

Domestic sales in 1957 were 6,800,000 gross—a decrease of 27 percent from 1947. During this same period imports increased from 870,000 gross during 1947 to 1,940,000 gross in 1957—an increase of 123 percent.

The only thing the industry has to show for its 10 years of effort is an acknowledgment by the President that the industry is being seriously injured by increased imports.

This acknowledgment, which was made in a letter to this committee dated November 9, 1957, was accompanied by a token gesture of relief, in the form of an increase of 10 cents per gross in the import duty.

At first blush it would appear that the President's action was an appropriate means of remedying the injury caused by the concessions. I will not take up the time of the committee with a discussion of all the reasons why such action will not remedy the injury, but will merely point to a few very basic facts which should satisfy this committee that the real effect of the President's action is to add the clothespin industry to the growing list of injured industries which are being sacrificed to further the administration's program of encouraging imports.

These are:

1. In its report to the President the Tariff Commission categorically determined that the maximum permissible increase in duty would be inadequate to remedy the injury found to exist, and recommended imposition of an import quota of 650,000 gross annually as the only possible remedy.

2. Despite the increase in duty, imported spring pins are presently selling on the domestic market at prices ranging up to $2.45 per case

less than domestic pins. Domestic packaged spring pins currently sell for $6.30 per case of 6 gross delivered. Comparable imported pins are now available at prices as low as $3.85 per case. It should be noted that the domestic price has not been changed for over a year and that the Commission found that the industry has been losing money at this price.

3. Within 3 months after the President announced the increase, one of the largest plants in the United States, located in Richwood, W. Va., closed its doors, adding more than 200 to the rapidly growing national unemployment figure which is now causing so much concern.

4. During the 3-month period immediately following the increase in duty, imports totaled 592,574 gross—an increase of 222,334 gross, or 60 percent, over the imports during the same 3-month period of the preceding year; and an increase of 300,317 gross, or 103 percent, over the average imports during the same months in the previous 10 years.

5. During this same 3-month period immediately following the duty increase, domestic shipments of wooden clothespins declined 530,024 gross, or 30 percent, from the shipments during the same 3-month period of the preceding year; and declined 571,454 gross, or 32 percent, from the average shipments during the same months in the previous 10 years.

These facts are presented to the committee to demonstrate the accuracy of the Commission's conclusion that "the maximum permissible increase in duty would be inadequate to remedy the injury," and that the failure of the President to follow the recommendation of the Commission has resulted in further serious injury to the domestic industry.

The experience of the clothespin industry is indicative of the treatment which every industry concerned with import competition can expect to receive from the administration if H. R. 12591 is enacted in its present form.

I am aware of the assurances which this committee has received that the administration will administer the powers which it has asked for in such way as to protect all domestic industries.

However, the same assurances have been given each time the act has come up for renewal. The record does not indicate that these assurances have meant much in the past, and there is no reason to believe that they will mean any more in the future.

In my opinion, the most effective means of giving domestic producers the confidence in the future of their businesses that is essential to the future welfare of this country, would be for the Congress to retain final control over determinations as to whether or not to effectuate the recommendations of the Tariff Commission for relief in escape-clause cases.

I recognize that it would unduly burden this committee and the Congress if it became necessary for the committee or the Congress to pass on every escape-clause case. However, the necessary control could be exercised by providing in the escape-clause procedure that the President shall proclaim such increased duties, or impose such import quotas, as may be recommended by the Tariff Commission unless he files within a specified period, with this committee and with the House Ways and Means Committee, the reasons why he feels that such recommendations in an individual case should not be effectuated.

It could further be provided that unless this committee and the House Ways and Means Committee both adopted resolutions within a specified period of time approving the action recommended by the President, the President would be required to put into effect the recommendations of the Commission.

This procedure would have the advantage of requiring the Congress, acting through this committee and the House Ways and Means Committee, to take affirmative action only if the reasons advanced by the President warranted disregarding the Commission's recommendations with the consequent risk of sacrificing a domestic industry.

Moreover, such a procedure would not put the President in a straitjacket, since in any case in which he felt that the action recommended by the Commission would endanger our relations with foreign countries, would unduly injure any foreign country, would result in compensatory measures injurious to our export trade, or would in any other way be detrimental to the best interests of the United States, he could ask this committee and the House Ways and Means Committee to approve some other action.

The administration should have no concern that such committees would not approve the President's recommendations if the reasons advanced were sound and justified action other than that recommended by the Commission.

I am aware of the fact that the bill before this committee contains a procedure to give the Congress some control over the President's actions in escape-clause cases—through the adoption of a two-thirds vote on a concurrent resolution.

In my opinion this procedure imposes much too great a burden on domestic industries and on the Congress. It is difficult enough for a domestic industry, particularly a very small one like the clothespin industry, to persuade a majority of members of the Tariff Commission that it is being injured. If such industry must also persuade two-thirds of the Members of the House and Senate, the task would be virtually impossible.

It seems to me that Congress has previously evidenced its intent that domestic industries injured by increased imports were to be protected unless overriding international considerations indicated that it would be in the public interest generally to deny such protection.

If there are such considerations in any individual case, it should be the responsibility of the President to point them out to the Congress, or to this committee and the House Ways and Means Committee and to secure approval of the Congress, either directly or through the committee, of a denial of protection.

Domestic industries should not be expected to assume the burden of proving that there are no such overriding international considerations. The impracticability of imposing such a burden on domestic industries is well illustrated by the clothespin case.

The President, apparently because of overriding international considerations, refused to impose a quota of 650,000 gross per year on imports of spring clothespins, despite a strong recommendation by the Commission and a warning by the Commission that any other action would result in further injury to the domestic industry.

He rejected the Commission's recommendation despite the fact that the import quota would have had a negligible effect on foreign countries. If such a quota had been in effect during the 5-year period

1952 to 1956, inclusive, the loss in dollars to the 10 foreign countries which shipped spring pins to the United States would have averaged $223,000 per year.

Such amount is approximately one-one-hundredth of 1 percent of the total shipments of $2,029,125,000 made by such 10 foreign countries to the United States in 1956.

I do not know what considerations prompted the President's action in the clothespin case, but I do know that it would be an impossible job for the domestic industry to persuade two-thirds of the Members of the House and Senate that such unknown reasons were not valid, so as to override his action.

The domestic wooden clothespin industry has already suffered the loss of 7 of the 13 plants which were in operation 10 years ago, and the remaining 6 plants are entitled to something more than token relief.

The six plants that are left are located in Dixfield, Mattawaumkeag, and West Paris, Maine; in Montpelier and Waterbury, Vt., and in Cloquet, Minn.

They all contribute materially to the economic welfare of the small towns in which they operate.

For example, the Mattawaumkeag plant is the only industry in a town of 803 population. It employs 188 persons—90 percent of the total number employed in the town. The West Paris plant employs 116 out of the 186 employed in a town with a population of 670.

This is a small industry—much smaller than it was 10 years ago—but it, and the workers dependent upon it for a livelihood, are entitled to the protection which Congress intended all domestic industries to have when it enacted the escape-clause procedure.

It can receive such protection only if H. R. 12591 is amended so as to impose on the President in escape-clause cases the burden of proving to Congress, or to this committee and the House Ways and Means Committee, that the public interest demands action other than that recommended by the Tariff Commission.

Thank you very much.

Senator CARLSON. Mr. Tilden, we appreciate very much your statement here, and I know that this problem of the clothespin industry is of great concern to this committee because it has been brought up on many occasions.

Mr. TILDEN. I understand it has.

Senator CARLSON. Even with the full maximum tariff, it still wouldn't save the industry.

Mr. TILDEN. That is quite correct. There is a price differential between imported and domestic pins greater than any possible increase in the duty would take care of.

Senator CARLSON. And the Commission had suggested that it would take an import quota to protect it.

Mr. TILDEN. That is correct.

Senator CARLSON. And I assume that that was what you are recommending.

Mr. TILDEN. That is correct, sir.

Senator CARLSON. Would you go far enough as to say that you would recommend it for all imports?

Mr. TILDEN. On all products?

Senator CARLSON. All products.

Mr. TILDEN. No, I would say that in the event the circumstances show in any particular industry that protection cannot be afforded by means of an increase in the duty, and that an import quota is the only possible means of protecting that industry, then an import quota should be imposed.

Senator CARLSON. Coming as you do from a great section of the country that appreciates very much receiving substantial quantities of residual fuel oil, and I, coming from an area where we are greatly concerned about these imports, I wonder if you would be willing to agree that we establish import quotas on that?

Mr. TILDEN. I am not particularly familiar with it in detail, but if it meets the standard I just mentioned, I certainly would favor it.

Senator CARLSON. I think we could make a good case, but I can appreciate that you have some problems, too.

We thank you, Mr. Tilden.

Mr. TILDEN. Thank you.

Senator CARLSON. The next witness is Mr. Joseph Detweiler of the Argus Cameras.

Mr. Detweiler, we appreciate your appearance here.

STATEMENT OF JOSEPH H. DETWEILER, VICE PRESIDENT AND GENERAL MANAGER, ARGUS CAMERAS, DIVISION OF SYLVANIA ELECTRIC PRODUCTS, INC.

Mr. DETWEILER. Thank you, sir. I would like to file my statement with the committee and speak from notes, if I may.

Senator CARLSON. If you will, the statement will be made a part of the record and you may proceed in any way you want to.

(The statement of Mr. Detweiler, in full, is as follows:)

FULL TEXT OF THE WRITTEN STATEMENT BY JOSEPH H. DETWEILER, VICE PRESIDENT AND GENERAL MANAGER OF ARGUS CAMERAS, DIVISION OF SYLVANIA ELECTRIC PRODUCTS, INC.

Mr. Chairman and members of the committee, my name is Joseph H. Detweiler. I am vice president and general manager of the Argus cameras division of Sylvania Electric Products, Inc. I am here on behalf of Argus, an organization that is representative of the still-camera industry. We sell still cameras, still and motion picture projectors, exposure meters, viewers, various related photographic accessories and, from time to time, precision optical military instruments.

Argus does not oppose reciprocal trade in principle. We do object to the way it has been administered and we oppose H. R. 12591 because it contains provisions which could be damaging to the photographic industry in general and to Argus in particular. This is important not only because it affects the livelihood of 900 Argus employees, to say nothing of those employed directly and indirectly by other photographic companies, but, also, because the photographic industry is an industry vital to national defense.

We were the first American manufacturer of 35-millimeter cameras and over the years we have probably produced and sold more 35-millimeter cameras than any other company in the world. But today we are competing with 35-millimeter cameras imported under hundreds of different brand names, from many countries but principally from Germany, both East and West, and Japan. This damaging competition comes from those countries where the standard of living and wages are lower than in the United States. Our competitors in Japan pay wages equal to about 10 percent of ours, yet we are expected to compete with them on an equal footing and we are now faced with the possibility of even further reductions in tariffs which are already so low as to represent no major barrier.

We and other photographic manufacturers are now buying precision components abroad in order to compete. Thus we are exporting skilled jobs in what the Munitions Board has termed a critical production area. Products with a lower skilled labor content will be affected eventually—even material and overhead costs are really someone else's direct labor, generally that of suppliers. At present, however, the operations most severely damaged are the small ones which tend to specialize in limited product areas.

Exhibit I shows tariff reductions that have been made in photographic products in recent years, and those which would be permitted under the proposed bill extending the Trade Agreements Act:

EXHIBIT I

Item	1930 rate	Present rate	Lowest rate under H. R. 12591	Reduction now	Total reduction proposed
(1) Cameras of which lens is the component of chief value.....percent..	45	25	18¾	44	58
(2) Still cameras valued at $10 or more each.....percent..	20	15	11¼	25	43¾
(3) Film.....do....	25	6¼	4¼	75	83
(4) Lenses.....do....	45	25	18¾	44	58
(5) Motion-picture film.....do....	[1] 4½¢	[1] 1½¢	[1] ¾¢	75	81⅓
(6) Sensitized photographic paper...do....	30	10½	8	65	73

[1] Cents per foot.

Exhibit II shows the value of certain photographic products imported into the United States since 1954. Charts 1 and 2 at the end of this statement show similar information in graph form and illustrate the rapid growth of photographic imports. Note that imports of still cameras above $10 each from Japan in each of the past 3 years have been considerably more than double those of each preceding year:

EXHIBIT II

[In thousands of dollars]

	1954	1955	1956	1957
Still cameras valued at more than $10 each by source:				
East Germany	1,672	1,842	2,014	1,094
West Germany	6,456	8,165	8,848	9,250
Japan	210	1,021	2,788	6,037
Others	406	632	1,250	1,265
Total	8,744	11,660	14,900	17,646
Photo lenses	2,356	3,076	3,695	4,762
Motion picture cameras	871	1,309	1,713	2,150
Photographic films and plates	2,650	4,288	5,518	8,957
Photographic papers	3,868	4,591	6,734	8,597
Other products included in photographic categories	2,210	2,712	3,116	3,964
Total	20,699	27,634	35,676	46,076
Compare the above with the approximate value of Argus sales of 35 mm cameras	10,044	9,654	8,537	7,747

Argus is one of few manufacturers who can say that its major product (the C3 camera) is selling at a price lower than its price 8 years ago, in spite of steadily rising unit costs. We have recently introduced a new model of this C3 camera priced 5-percent below the 1949 price but including a Japanese light meter.

A few years ago 1 of the 2 manufacturers of camera shutters in this country filed an escape-clause action stating that without satisfactory protection its business would disappear. Relief was not granted. Today 90 percent of the shutters used in this country are purchased from abroad. Wollensak has lost its shutter business, including skilled workers and technicians who had 3 to 5 years of training. This resulted in the layoff of between 300 and 400 people in Rochester, and the company was forced to give up its shutter engineering and research along with the shutter production.

Up to 1957, there were 84 escape-clause actions instituted. The Tariff Commission made favorable recommendations in only 26 of these and in only 9 cases were the favorable recommendations approved by the President.

Let me tell you a little more about the type of foreign competition we are facing:

First, it is mechanized to practically the same degree that our industry is mechanized—more efficient production on our part is not the answer.

Secondly, this competition is subsidized by various devices of foreign governments (such as the income-tax reductions allowed Japanese manufacturers of products for export).

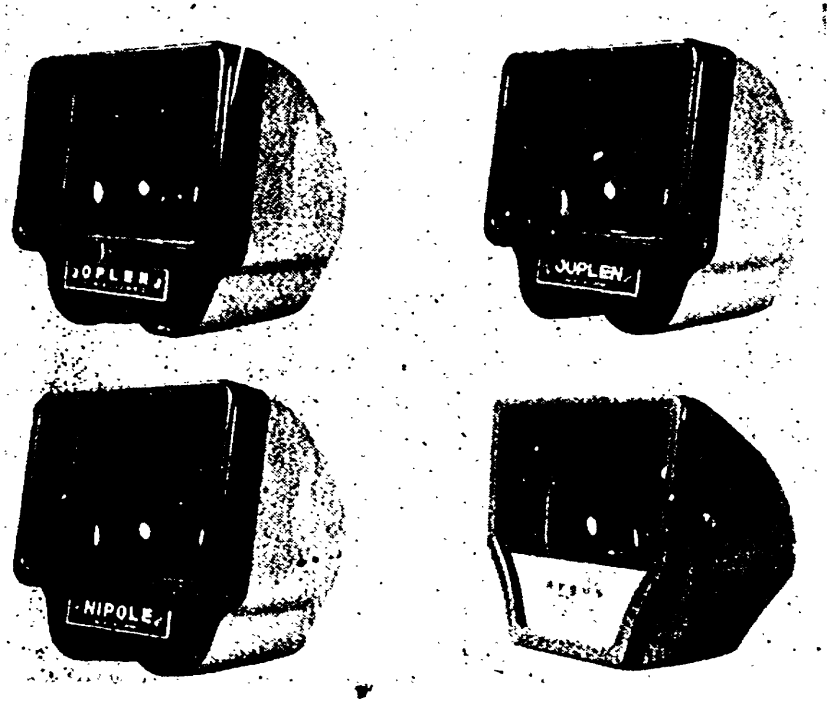
Thirdly, there are indications that many photographic products have been dumped on our market at prices even lower than Japanese cost. For further information on this, please see my testimony before the Ways and Means Committee of the House of Representatives, as reported on page 597 through 611 of the Hearing on Renewal of Trade Agreements Act (February 26, 1958).

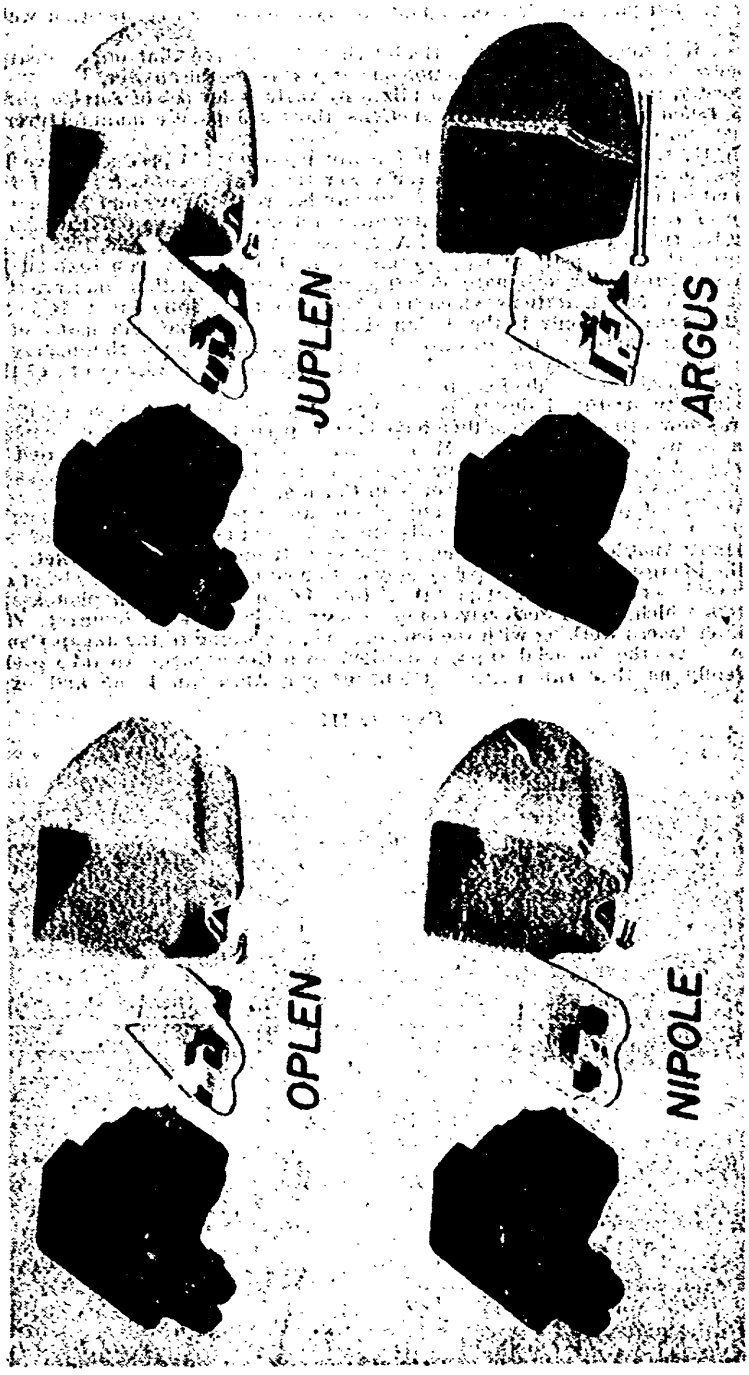
Fourth, these competitors are also imitators. Let me show you (exhibit III) the Argus PreViewer, originally designed and produced in this country. Compare it with some imitations which have been coming in from Japan during the past 2 years. Not only is the design similar in appearance but many of the detailed manufacturing features are almost identical, and even the display box shows a great similarity to ours. In order to sell it, distributors of one of these viewers describe it as "identical to Argus."

Reciprocity in this industry is a myth. During the past 4 years 130,000 cameras now valued at $6.6 million have been imported from a market completely closed to us—East Germany. Many other countries effectively prevent the import of American cameras. Our export volume has been steadily decreasing. Our only substantial foreign market is in Canada.

While the Japanese can bring any photographic product into the American market in any quantity, Japan discriminates against importation of some important American photographic products in their own home market. One gets the impression that their policy may be to hold down to token levels, or even to prevent completely, the importation into Japan of American photographic products which would seriously compete with their domestic industry. They are nevertheless working with the backing and, according to the Japan Camera Trade News, the financial support of their own Government, to take over as completely as they can entire sections of our American home and export markets.

EXHIBIT III




JUPLEN
ARGUS
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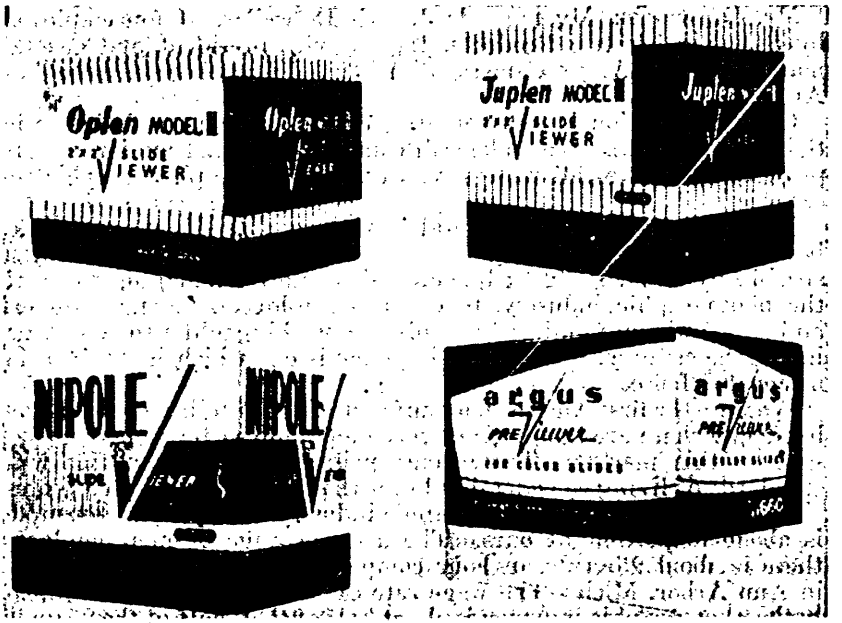


The same situation prevails in other producing countries. In France and Italy high duties and currency restrictions prevent us from being competitive; we can send only relatively small quantities to Great Britain under the British token import plan, administered in part by our own Department of Commerce. In Belgium we also face serious barriers. Yet on more than one occasion our United States negotiators have granted cuts in United States photographic duties in favor of Belgium while, with the formation of the Benelux Customs Union, we wound up with substantially increased duties in the Netherlands and Luxembourg.

Developments have shown that the reciprocal trade agreements program has become mainly a device to place the United States as nearly on a free-trade basis as possible. One major exception is the United States market for agricultural products, which is of great interest to many foreign producing countries. Yet, instead of freely opening up our home markets to importation which would seriously compete with our own agriculture, we wisely, I think, safeguard them by duties and in some instances by severe quota limitations.

The photographic industry's peacetime skilled labor force, maintained at a satisfactory level, would be sufficient only to provide the essential nucleus of key workers for an expanded wartime production of photographic products as well as in the making of precision nonphotographic products which this industry is counted upon to produce (height finders and rangefinders in applications not suited to electronic equipment, fire-control devices, timers, proximity fuses, etc.).

If "reciprocal" trade is necessary to preserve world peace, then no price is too great to pay for it. If it should not wholly succeed in its purpose, however, whom will our country call on for essential photographic and optical products? World War II provided the impetus for the growth of the optical industry in Japan. It is ironic that we must suffer today to help develop and expand their industry. We should gravely question the wisdom of a procedure which results in transferring our strategically important industry and our critical skilled jobs to foreign countries.

In the interest of maintaining tariff reductions on a selective, gradual and moderate basis, we believe that safeguards should be imposed to prevent further reduction of tariffs which have already been reduced more than "moderately." We believe that more attention should be given to provisions for restoration of adequate tariffs where they are inadequate now, and to provisions for quotas in those segments of the industry where tariffs alone will not suffice. I know you will give these matters serious consideration.

Mr. DETWEILER. My name is Joseph Detweiler. I am employed by Sylvania Electric Products, Inc., as vice president and general manager of the Argus Cameras division and I am here on behalf of Argus.

Our organization is representative of the still camera industry in the United States. We make still cameras, slide and motion-picture projectors and we sell meters, viewers, and other photographic accessories.

We are not opposed in general to reciprocal trade as a principle, but we do object to the way it has been administered and we object specifically to H. R. 12591 because this could be damaging to us, to the photographic industry, to our 900 employees, to our suppliers and others who are indirectly involved, and this could also be damaging to the country, because our industry is one which is vital to the national defense.

We were the first American manufacturers of 35-millimeter cameras, but today there are hundreds of foreign 35-millimeter cameras being sold on this market. These come primarily from countries with standards of living considerably lower than that in the United States.

The wage rate in the photographic industry in Japan, for example, is about 10 percent of ours. The average wage of men employed there is about 25 cents an hour compared to $2.50 in our industry, in Ann Arbor, Mich. The wage rate of females employed in Japan in the photographic industry is about half of that, half of the 25 cents.

Yet we are forced to compete on an equal footing with this kind of competition. One way we can compete is to buy components abroad.

That we are doing, and in doing so, we are exporting skilled jobs in a critical producing area.

Would you please look at exhibit 1 in my statement, which shows the 1930 rate of duty on various major divisions of photographic equipment, how that rate has changed to the present day, and what further reductions would be possible under the provisions of H. R. 12591.

The category with which I am most concerned, personally, is the second category, still cameras valued at $10 or more, which has now been reduced 25 percent and could be reduced under 12591 to a total of 43¾ percent less than the 1930 rate.

The other categories all could be reduced under the bill to an even greater degree from the 1930 rate.

Now how does this affect us? Would you please look at exhibit 2 which shows the growth of imports in this industry?

The items again with which I am most concerned are shown there at the beginning of the exhibit, still cameras valued at more than $10 each and I have shown the amounts coming in from various countries.

You will see that the major source of these imports are East Germany, West Germany, and Japan. Please note that the total imports from West Germany in 1957 constituted $9,250,000, those from Japan constituted $6,037,000, but that in each of the last 3 years those imports from Japan had doubled. It doesn't take much figuring to see what can happen to our industry in a few more years of growth of imports at that rate.

Please compare the figures at the bottom of the page showing the approximate value of Argus sales of 35-millimeter cameras in these

same years. You will note they have been steadily decreasing in a market that has been expanding rapidly. Yet Argus is one of the few manufacturers in this country who can say that our major product, which is the C–3 camera, is selling at a price lower than its price 8 years ago, in spite of steadily rising costs.

We have recently introduced a new model still selling lower than the price 8 years ago, which includes as a part of the package a Japanese exposure meter.

There have been two major manufacturers of camera shutters in the United States, and a few years ago one of those manufacturers filed an escape clause action protesting that without satisfactory protection, his business would disappear.

Relief was not granted and it has substantially disappeared. This has resulted in the loss of three to four hundred jobs in Rochester.

This company is Wollensak. These people laid off were in the main skilled, trained, optical technicians (who require 3 to 5 years of training) in addition to engineers and research people. This company has been substantially forced to give up its shutter engineering and research.

This was 1 of the 84 escape-clause actions which have been instituted prior to 1957, of which the Tariff Commission made favorable recommendations in 26, and in only 9 of which were favorable recommendations approved by the President.

Let me tell you just a little more about this type of foreign competition that we face.

In the first place, it is mechanized practically to the same degree that our industry is mechanized.

In the second place, it is subsidized by various devices of foreign governments. To take one example, the Japanese Government gives a credit against income taxes for products which are exported.

Thirdly, there are indications that many of these photographic products are being dumped on our market. For further evidence along those lines, I would refer you to my testimony before the Ways and Means Committee of the House on February 26, 1958.

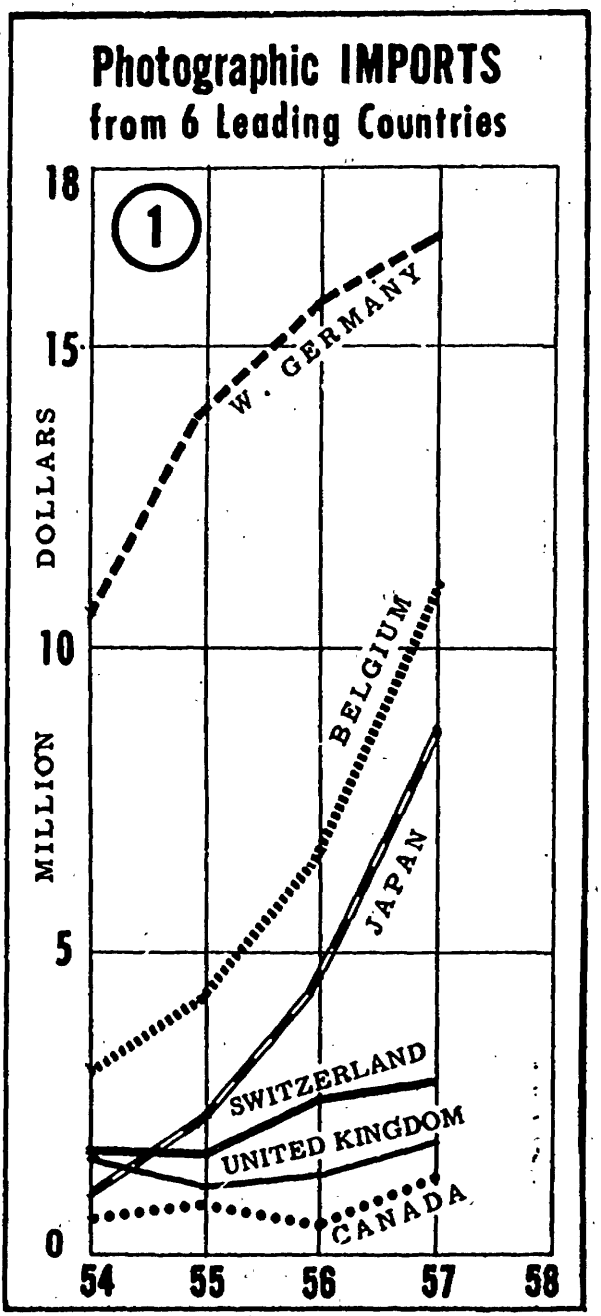
Fourth, these people imitate the United States products. You will see attached in my statement a picture of a viewer which we first produced about 3 to 4 years ago, compared with similar viewers which are being produced by Japanese companies today. I might say that this country, and I am sure this helps to sell the product, as "identical to Argus." You will see that not only is the general design of this viewer similar, the features and the components are similar, and even the packaging is similar.

The photographs you have there are in black and white, but in most cases, the colors of the boxes are almost the same as ours.

Now, this is supposed to be reciprocal trade, but reciprocity in our business is a myth.

For one example, during the past 4 years, as 1 of the earlier tables showed, there were 130,000 cameras valued at $6½ million imported from a market that is closed to us, East Germany.

Similarly, we cannot sell in most foreign countries of the world. Canada is the only export market which is of any significance to us. We have on occasion in past years sold to some of these countries, but we are prevented from doing so now.


Photographic IMPORTS
from 6 Leading Countries
1
MILLION DOLLARS
18
15
10
5
0
W. GERMANY
BELGIUM
JAPAN
SWITZERLAND
UNITED KINGDOM
CANADA
54
55
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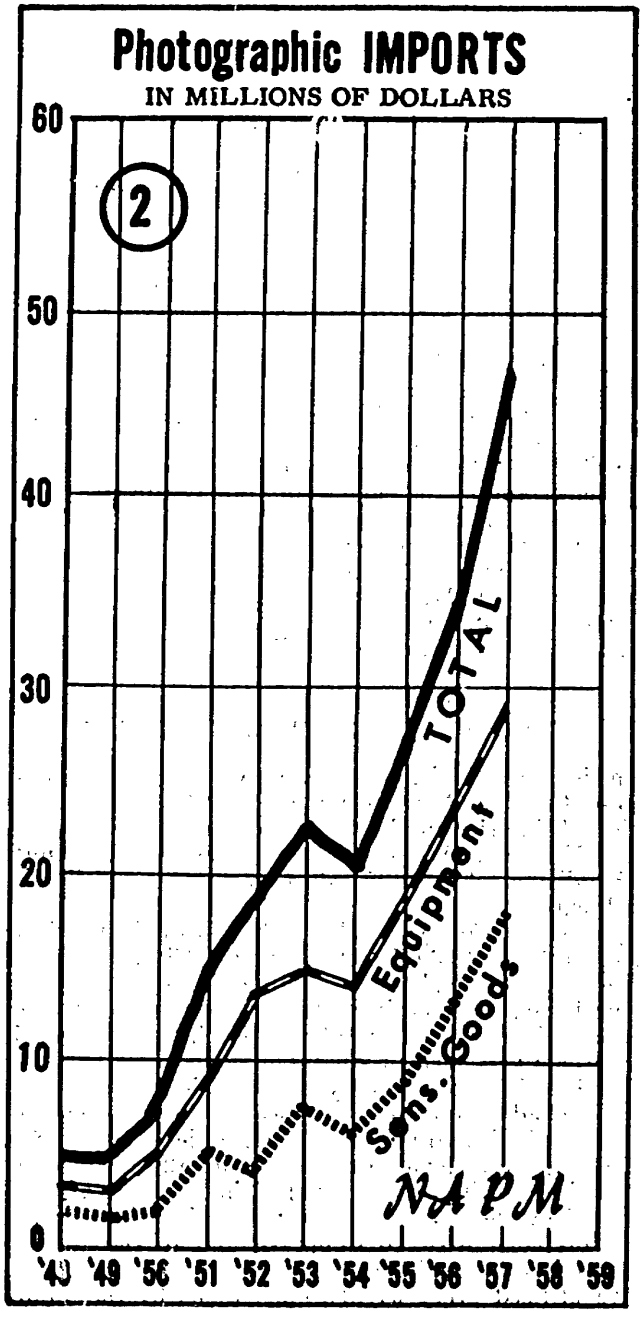
58


Photographic IMPORTS
IN MILLIONS OF DOLLARS
2
60
50
40
30
20
10
0
TOTAL
Equipment
Cons. Goods
NAPM
'48 '49 '50 '51 '52 '53 '54 '55 '56 '57 '58 '59

Senator BENNETT. Would you satisfy my curiosity? Why did the volume from East Germany drop in half between 1956 and 1957?

Mr. DETWEILER. I'm sorry, I couldn't answer that for you, sir. I do not really know.

I suspect that they have probably been suffering from the Japanese competition to somewhat the same degree that we have.

Senator BENNETT. The West Germans are still going up?

Mr. DETWEILER. There are only, I believe, 1 or 2 brands of cameras sold in this market from East Germany. The primary one that I am aware of is the Exacta. I think there are 1 or 2 others, but very few.

Most foreign countries do discriminate against our products. They discriminate by quotas and by currency restrictions, if not by high tariffs. They apparently recognize the value to their countries of the photographic industry. The people employed in our business here in this country are only a nucleus for a wartime production that might be required to make heightfinders, rangefinders, other optical and fire-control devices of various kinds.

Senator CARLSON. Mr. Detweiler, if you would be willing to let your statement stand as the balance of your testimony, that is a roll-call vote that Senator Bennett and I are going to have to make and I would like very much to try and conclude this if I may.

Mr. DETWEILER. Thank you very much, sir.

Senator CARLSON. Is Mr. Richmond here?

Mr. RICHMOND. I am, sir.

Senator CARLSON. Mr. Richmond, will you proceed?

STATEMENT OF HOWARD RICHMOND, VICE PRESIDENT, CROMPTON CO., INC., NEW YORK, N. Y.

My name is Howard Richmond. I am vice president and a director of Crompton Co., Inc., New York City, with five wholly owned manufacturing subsidiaries in the States of Arkansas, Georgia, Rhode Island, and Virginia. We are primarily engaged in manufacturing and merchandising velveteens, corduroys, and velvets, all of which are specialized textiles.

I am appearing before you today in behalf of the Corduroy Council of America, 15 East 53d Street, New York City, a trade association that has amongst its members the leading manufacturers and distributors of corduroy, representing a large percentage of the total business done on this fabric. I am also appearing before you in behalf of the American velveteen producers.

I feel justified in imposing on your valuable time at these hearings because I have had the unique experience for the past 10 years of being closely associated with all phases of the practical aspects of the workings of the trade agreements program as it affects an industry that has been battling for its very survival. The problems of foreign competition faced by the velveteen industry during this period are well known to this committee, to Congress, and to the administration. They need not be repeated here.

We have utilized every avenue open to us by the Trade Agreements Act as amended from time to time. The velveteen industry applied for relief under the escape clause, and received a favorable

finding by the Tariff Commission, recommending higher rates of duty, but the President failed to approve these recommendations, believing that the Japanese voluntary quantitative restrictions on exports of cotton goods to this country would solve the velveteen industry's problems. We have expressed our views and recommendations in the past before this committee, the House Ways and Means Committee, its subcommittee, the different branches of the Executive, the Committee on Reciprocity Information and the United States Tariff Commission. We were privileged to express our views on the extension of the Trade Agreements Act before the House Ways and Means Committee on February 27, 1958.

The Trade Agreements Extension Act of 1958, H. R. 12591, recently passed by the House, in a number of respects is an improvement over the present law expiring on June 30. It falls short of the needs of American producers suffering from foreign competition in several important aspects.

The improvements are as follows:

1. Extending to the President the authority to increase rates of duty 50 percent above the rates in effect as of July 1, 1934, rather than the base date of January 1, 1945, currently in effect, is a definite improvement and could prove helpful in the future.

2. Setting forth the sense of the Congress that the President, while negotiating a foreign-trade agreement, should seek information and advice from representatives of industry, agriculture, and labor is a definite improvement, and we believe that this procedure should tend to avoid mistakes in future negotiations.

3. The changes made in H. R. 12591 in the peril-point provision, we believe, are a further improvement. By extending the time from 120 days to 6 months which the Tariff Commission has to complete its peril-point report should make for a more thorough investigation. Secondly, the amendment to the peril-point provision directing the Tariff Commission to institute an escape-clause investigation automatically whenever it finds in a peril-point investigation that more restrictive customs treatment is required to avoid serious injury to a domestic industry is certainly welcomed and should prove practical in the future.

4. The changes that H. R. 12591 makes to the current escape-clause provisions are a very definite improvement over those currently in effect. However, as I will point out later, it is our belief that further changes should be made. The amendment permitting organizations or groups of employees to file an escape-clause application is sound. Giving the Tariff Commission the power of subpena should help in speeding up the findings of the Commission in an escape-clause investigation. Reducing the time limit from 9 to 6 months for the Tariff Commission to complete an investigation will be helpful. Granting the President authority in an escape-clause case to impose a rate of duty up to 50 percent ad valorem on a free-list item which has been bound by a trade agreement is a further improvement. Permitting duty increases on dutiable items up to 50 percent above the July 1, 1934, level, as opposed to the present base date of January 1, 1945, should prove helpful.

5. The amendment permitting Congress, by a two-thirds vote in a concurrent resolution, after a disapproval by the President of a rec-

ommendation for relief under an escape-clause action, in our opinion, is of little or no practical value in restoring to Congress the determination of relief under an escape-clause action. While it is true that no such provision appears in the current legislation, and while it is also true that this amendment would direct Congress' attention to those escape-clause actions disapproved by the President, from a practical point of view, we cannot visualize an industry seeking relief being able to muster sufficient strength within the Congress to achieve the required two-thirds concurrent vote.

6. We feel that the proposal set forth in the national-security amendment is another sound improvement in the current legislation.

There are certain features in the present bill that we cannot support.

1. We can see no justification for extending to the President the authority to negotiate trade agreements and to reduce rates over a 5-year period. The main reason for this excessive length of time is claimed to give the President the means to negotiate trade agreements in light of the prospective developments in foreign countries, particularly as it applies to the progress of the European Common Market which is being formed by 6 countries in Western Europe and the proposed establishment of a free-trade area, including Great Britain and some other countries, together with those 6 members of the Common Market.

It is our belief that, with the rapid population growth particularly in this country and with the dynamic and rapid socialogical, economic, and technological changes that are taking place here, in Western Europe, and throughout the entire world, it would be far more prudent to limit the authority granted the President under the Trade Agreements Act to a 2-year period, thereby giving Congress an opportunity to modify or change the legislation in the light of these dynamic changes that are taking place in this country and throughout the world. We strongly urge, therefore, that the authority granted to the President be reduced from 5 to 2 years.

2. H. R. 12591 grants to the President the authority to decrease rates of duty in effect July 1, 1958 by—

(*a*) not more than 25 percent;
(*b*) not more than 2 percentage points; or
(*c*) in the case of existing duties which are higher than 50 percent ad valorem to not less than 50 percent ad valorem.

The base date on which reductions are permitted is changed from January 1, 1951, to July 1, 1958. Furthermore, the present bill contains no provision limiting the reduction in duty to the end of the renewal period, providing only that an agreement be concluded before the end of the renewal period. Therefore, it is possible for an agreement to be made in the fifth year, providing for reduction over a further 5-year period. This means that the President would be authorized to negotiate reductions which might not be completed for a total of 10 years, which is far too long a period in view of the rapidly changing conditions. We recommend that the authority to decrease rates of duty in effect July 1, 1958, be limited—

(*a*) by not more than 10 percent or—
(*b*) in the case of existing rates which are higher than 50 percent ad valorem to not less than 50 percent ad valorem which is now provided in the law.

We see no justification for the provision permitting a reduction by not more than 2 percentage points. Such a reduction on low rates could amount to considerably more than the present request of 25 percent and, of course, more than our recommendation for limiting the authority to 10 percent. We further recommend that no reductions in duty go into effect after the end of the renewal period as is now provided by law. In addition, we recommend that the 10 percent limitation be confined to 5 percent a year during the 2-year renewal period.

3. We recommend two further amendments to the escape-clause provision:

(*a*) A provision that injury shall be presumed to exist whenever, as a result of a concession, domestic production significantly decreases since the concession and imports significantly increase since the concession. It is not our intention that this provision in any way be restrictive to the findings of injury, but as an additional criterion which to us seem manifestly fair.

(*b*) We recommend that the findings of the Tariff Commission be conclusive as to the fact of injury. At the present time after a finding of the Tariff Commission, the President submits that finding to the various executive branches of the Government and obtains from them further information on the case. There have been a number of instances where the President has turned down a recommendation of the Tariff Commission based on facts that he has obtained as to the injury in question. The various branches of the Government in most cases do not give these facts to the Tariff Commission but rather withhold them and give them to the President after the Tariff Commission's findings. There is no opportunity for industry to contest this information. If this amendment were added, it would force all branches of the Government to supply their information to the Tariff Commission along with all other interested parties. This then would permit the Tariff Commission to make its findings based on all relevant information. The Tariff Commission is the factfinding body and it is our belief that they should have all pertinent information in making an escape-clause finding. This, we think, is a very important recommendation and one that is fair to all concerned.

4. In order to restore more properly to Congress a share in the determination of relief under the escape clause, we recommend that the Tariff Commission's recommendations prevail, unless the majority of both Houses of Congress, at the request of the President direct otherwise. We know there has been considerable discussion on this point and we know the administration is dead set against it. If, however, it would be more palatable to all concerned, we believe it would be satisfactory if this were modified so that the Tariff Commission's recommendations would prevail unless a majority of the House Ways and Means Committee and a majority of the Senate Finance Committee, at the President's request, direct otherwise. Either of these two variations would, in our opinion, be highly desirable.

When the Tariff Commission, as a result of an escape-clause investigation, finds as a fact that relief is required by an injured industry, there is no reason why its recommendations should not automatically be put into effect unless the President's finding, to the

contrary, based on the needs of national defense; national security, general welfare or other overriding reasons, are approved by a majority of Congress or by a majority of the interested congressional committees. Otherwise, there can be no assurance that the will of Congress in writing the escape-clause procedure into law will be followed by the Executive.

Thank you.

Senator CARLSON. Thank you, Mr. Richmond.

The meeting is recessed until next Monday at 10 o'clock.

(By direction of the chairman, the following is made a part of the record:)

AMERICAN TUNG OIL ASSOCIATION A. A. L.,
Poplarville, Miss., June 19, 1958.

Hon. ALLEN J. ELLENDER,
United States Senator from Louisiana,
Senate Office Building, Washington, D. C.

DEAR SENATOR ELLENDER: We have been amazed by the overwhelming vote by which the House passed the administration's Trade Extension Act last week. We frankly cannot understand the attitude of many Congressmen on this score, in view of the terrific amount of harm that the imports of foreign commodities and manufactured products are doing to many industries in this country. We understand and appreciate, of course, the fact that our country must do a certain amount of foreign trade in order that foreigners may earn dollars with which to buy the products and commodities produced by various industries in the United States. We do feel, however, that there must be some satisfactory middle ground on which policies may be formulated to continue the necessary amount of export business which this country must do with foreign nations to maintain healthy trade balances between the United States and other foreign nations, while at the same time protecting those industries in the United States whose very lives depend upon a proper and adequate control of unreasonable amounts of imports of cheap foreign commodities and products that compete directly with the commodities and products which these industries produce.

It would seem to us that if the present trend toward all-out foreign trade is permitted to continue unrestrained that many of our industries, including certain segments of agriculture, are going to the wall, with a resultant loss not only of investments to the owners, but of countless numbers of jobs to the workers, who are employed by these industries to carry on their production. We trust, therefore, that the Senate will take a much more sober look at the administration's proposed Trade Extension Act as passed by the House, and seek to make the necessary and reasonable modifications in the act that prudent judgment would seem to indicate.

We trust that we may have your attention and the benefit of your good and sound judgment on this matter when it comes up for consideration in the Senate.

In the meantime, with kindest personal regards and every good wish, I am,

Sincerely,

MARSHALL BALLARD, Jr.

RESOLUTION OF CHAMBER OF COMMERCE OF NILES, MICH.

Whereas today's world conditions reflect rapidly changing patterns of world trade, and a shift in economic and defense predominance to the United States; and

Whereas an extraordinary growth has occurred in the economic self-determinism of a great number of nations abroad, often aided by United States donations and know-how.

Whereas our country's tariffs have been reduced by approximately 75 percent, so as to cause the United States to have the least restrictive trade policy of any major trading nation of the world; and

Whereas over the past 20 years this country's procedures governing the administration of tariff and trade matters, have become a hopeless jumble, so as to make necessary an entirely fresh appraisal; and

Whereas the impressing of our present tariff and trade policies, to the detriment of the economic well-being of our country, has wrought great harm to thousands of United States employers, and to many thousands of their employees; and

Whereas a strong United States is essential to all our foreign policy considerations, which strength should not be sacrificed for the short-range interests of others; since it is upon that very strength that almost the entire defense competence of the free world rests: Now, therefore be it

Resolved, That the Chamber of Commerce of Niles, Mich., declare itself to be emphatically opposed to the proposals the United States Congress is about to consider on this subject, which proposals provide for a 5-year extension of the Trade Agreements Act and the further reduction of tariff duty levels by 5 percent each year, or a 25-percent reduction over the 5-year period; and be it further

Resolved, That the said chamber of commerce make the following specific recommendation to the United States Congress:

1. That the Trade Agreements Act be extended for 1 year only.
2. That no reduction of tariff duty levels be permitted during such period.
3. That it take immediate steps to restore to itself its constitutional obligation to regulate foreign trade and assume final approval or disapproval of decisions of the United States Tariff Commission.
4. That the United States Tariff Commission be ordered to prepare a complete revision of our tariff and foreign-trade regulatory structure to prevent American employers and employees from destruction by inequality of trading opportunities.
5. That the Antidumping Act of 1921 be amended to the extent necessary to enable it to be enforced with the effectiveness intended; and be it finally

Resolved, That copies of this resolution be sent to the Governor of the State of Michigan, to each Member of the United States Senate and House of Representatives from the State of Michigan, and to the chairman of the House Ways and Means Committee and to the chairman of the House Rules Committee, in Washington, D. C.

Dated this 9th day of May 1958 at Niles, Mich.

Attest:

JACK C. SCHICK,
President.
FRANCIS J. COLE,
Executive Secretary.

BICYCLE MANUFACTURERS ASSOCIATION OF AMERICA,
New York, N. Y., June 24, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: The American bicycle industry is opposed to H. R. 12591, in its present form, as being harmful to the best interests of our country, as well as of American business and labor.

We strongly urge, therefore, that the Senate Finance Committee favorably consider amending the measure to include more appropriate safeguards for domestic industries threatened by excessive imports. We urge adoption of the following changes:

1. Limit the extension of the Trade Agreements Act to not more than 2 years.
2. Modify the provision which permits overriding the President's action by a two-thirds majority of each House—to a simple majority of both Houses.

Aware of the pressures on your committee's time, our industry has decided to waive its right to present its argument in person before your committee. Instead, we enclose 15 copies of a statement we presented to the House Ways and Means Committee on March 12.

This statement, which we hope will be read by your committee, reviews some significant aspects of our industry's problems arising out of the trade policies pursued by our country in recent years. Those policies brought our industry close to the brink of disaster as imports threatened our very survival.

Our industry's problem may be best illustrated, perhaps, by the fact that in the 8-year period from 1950 to 1957, we suffered a loss of 5,195,000 bicycle sales

to low-priced import competition. This is more than the equivalent of 2 years' business for the American industry. It seems manifestly unfair—indeed, dangerous—to ask one small industry to sacrifice that kind of production output and employment opportunity.

H. R. 12591 does not, in our opinion, give clear-cut and sufficient protection to American industries threatened by imports. We trust your committee will remedy that deficiency. As a minimum step, we strongly urge adoption of the two amendments outlined above.

Your consideration of this statement is deeply appreciated.

Sincerely,

JOHN AUERBACH,
Secretary, American Bike Tariff Committee.

HOYLAND STEEL CO., INC.
New York, N. Y., June 25, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: We understand that the Senate Committee on Finance is now holding public hearings in connection with H. R. 12591, and we would like to take this occasion to go on record that we strongly urge extension of the Trade Agreements Act.

However, there is one provision in the Trade Agreements Act which we oppose, and that is the proposal calling for an increase in duties up to 50 percent above the rates in effect on July 1, 1934, in escape-clause cases.

We are also opposed to a provision requiring the Tariff Commission to start an escape-clause investigation simply upon application. It is our opinion that the Tariff Commission be permitted to start a formal investigation only if a preliminary investigation shows that such formal steps are called for.

We also feel that the escape clause should be clarified so as to show that its sole purpose is not simply the elimination of all import competition.

We fully support the 5-year extension of the Trade Agreements Act including the provision to reduce tariff rates by 25 percent over the rates existing on July 1, 1958, over a period of 3 to 5 years. We also support continuation of the President's authority to approve, modify, or reject Tariff Commission recommendations in escape-clause investigations.

A good many businesses and their workers depend upon exports, and it is our firm belief that we cannot have exports without substantial imports. Foreign trade, which is essential to this country, must be conducted both ways and it is our opinion that the extension of the Trade Agreements Act will work in this direction.

May we respectfully request your support in line with the above, and for your information we would like to tell you that a similar letter was submitted by our company in March to the Hon. Wilbur D. Mills, Chairman of the Committee on Ways and Means of the House of Representatives.

Respectfully yours,

P. H. GARFUNKEL.

STATEMENT ON BEHALF OF THE INDEPENDENT REFINERS ASSOCIATION OF AMERICA

This statement is submitted on behalf of the Independent Refiners Association of America by Elmer E. Batzell, a member of the firm of Meyers & Batzell, counsel for IRAA. It has been prepared to call attention to what seems to be a serious oversight in the proposed legislation extending authority to enter into trade agreements.

We believe the act as it now stands contains no adequate standards and no adequate reference to administrative procedure so that, in authorizing persons to import amounts which are limited, the executive branch must assure that the rights of all persons who desire to import are taken into account in a fashion which will promote competition and opportunity for growth of the smaller elements of industry through importation of needed raw materials.

We have a long tradition in this country of competition. We are proud of this tradition. We advance it through the world as the distinguishing aspect of our economic democracy.

Important to the preservation of this ideal is equal opportunity for all who would engage in an enterprise. Nondiscriminatory activity by the Government

in deciding who may or may not secure raw materials which they need for the conduct of their business is vital.

Whenever the Government imposes limitations upon access to a commodity, it increases the difficulty of preserving competition among those who must use that commodity. It should be extremely careful, therefore, not only to establish limitations with due regard to all enterprises in an industry and their needs; even more important, once having established those limitations, it must so divide the amount thus limited as to dislocate to the minimum the competitive endeavor of the persons affected by the limitation. This is merely putting into action the American principle of fair play.

The present legislation contains no language by which this principle of fair play is declared as a matter of congressional policy. We believe this omission to be frightfully serious. The Congress, as the policymaking branch of the Government, should correct such an omission forthwith and while it has the opportunity to do so.

There are a number of ways of doing this. It is not necessary to consider them all or the relative merits of each, for we can readily understand the heavy pressures which exist to bring the present legislation now before this committee to completion without delay. Accordingly, we suggest a very simple approach to solving the problem with which we believe no person truly interested in competitive enterprise and truly concerned with the ideal of freedeom of opportunity can seriously quarrel.

We suggest that a single sentence added to the present language of amended section 2 (B) of the Tariff Act of 1930 (a part of section 8 (A) of the proposed Trade Agreements Extension Act of 1958) will correct the defect. We would urge for your serious consideration the following language:

"Any action so taken involving limitations upon the importation of such article by any enterprise shall be in conformity with the provisions of the Administrative Procedures Act, shall be equitably consistent with the needs of enterprises affected, and shall be in furtherance of principles of equal competitive opportunity, with recognition for the development and well-being of independent enterprises."

HELENE CURTIS INDUSTRIES, INC.,
Chicago, Ill., June 25, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SIR: I support the administration's proposal for an extension of the Trade Agreements Act (H. R. 10368) as a minimum of the kind of foreign trade policy the United States needs at this time in the interest both of its own economic prosperity and the unity of the free world.

As a producer of consumer items—of a type that can be identified as contributing to more interesting living for the consumer public—I wish to emphasize the importance of freer trade to a richer life for consumers generally.

Free world unity is not a theoretical objective of diplomats and statesmen divorced from the reality of the fundamental interests of the people they serve. Defense against Soviet economic penetration—and against its fellow-traveling political penetration—is not some map-room exercise on the part of military specialists and economic warfare strategists out of touch with the needs and aspirations of the people they are employed to serve. All of these objectives and decisions of high policy actually relate to the fundamental search by people everywhere for a richer life. A richer, more interesting life for consumers everywhere should be the objective of public policy in the United States and throughout the world. The fact that this is not the objective of public policy in countries behind the Iron Curtain is the reason for the international crises and the hot and cold wars that have confronted mankind in recent years.

No foreign trade policy other than a liberal trade policy—one that makes available to the consumer larger quantities of more varied goods of higher quality at reasonable prices—is in the best interests of the consumers of this Nation. And it is for that among many reasons that I strongly endorse a foreign trade policy of the kind that we have had for nearly a quarter of a century. I want to see that kind of trade policy made even more effective than it already is. I want to see it develop in such a way that it permits the United States to meet effectively the ever-changing trade developments in other parts of the world.

As for those firms which can prove serious injury from this kind of national trade policy, I would recommend that sound economic measures be adopted to facilitate adjustment—measures which do not weaken a foreign trade policy that serves so well the Nation as a whole.

Sincerely,

GERALD GIDWITZ,
Chairman, Board of Directors.

PROVIDENCE RUBBER WORKERS FEDERAL UNION,
LOCAL 21172, AFL–CIO,
Providence, R. I.

Hon. JOHN O. PASTORE,
Senate Office Building,
Washington, D. C.

DEAR SENATOR PASTORE: We recommend that an amendment be attached to any reciprocal bill "That all products be exempt from further Presidential cuts, which already have been cut 80 percent of the maximum or more, since the 1954 extension of the act."

This, we believe, would at least hold the line so far as our products are concerned.

Sincerely,

ELVIRO LOSTACCO, *President.*

P. S.—Rubber footwear has been cut the full maximum under the 1954 extension, and rubber-soled fabric footwear 85.71 percent of full maximum thereafter.

E. L.

GREENWICH, CONN., *June 19, 1958.*

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: The administration's trade-agreements-extension bill, which passed the House as H. R. 12591, is now before the Senate Finance Committee for consideration.

The basic points at issue are:

1. Shall foreign-trade policy continue to be formulated by the executive branch, or shall this responsibility be returned to the Congress?

2. Shall the executive branch continue to have the authority to ignore and veto findings of the Tariff Commission of injury to American industries and workers, or shall this authority be returned to the Congress?

3. Shall the executive branch be authorized during the next 5 years to reduce our tariff rates a further 25 to 30 percent?

It is respectfully urged that:

1. Responsibility to determine foreign-trade policy should be returned to Congress. Administration of trade policy so determined should be by an expanded and strengthened Tariff Commission.

2. Findings of the Tariff Commission should be implemented within a reasonable time, unless their modification or veto is supported by a majority of either or both Houses of Congress.

3. Further reduction of tariff rates should be deferred until an overall, long-range, foreign-trade policy has been determined by the Congress, and, then negotiations seeking reciprocal benefits should be conducted bilaterally. Concessions should be granted only if truly reciprocal benefits are obtained.

4. The executive branch should always be heard on the foreign-policy aspects of our trade and tariff problems, but the interests of workers and business, national security, and economic strength considerations should also be fully evaluated in arriving at final conclusions and ultimate decisions.

Many factors justify, even necessitate, the procedural changes proposed, and call for a new approach to the administration of our foreign-trade policy. I hope you and your committee will present to the Senate a trade-agreements-extension bill which will accomplish the objectives necessary to the long-range welfare and security of our Nation.

Some of the facts and considerations supporting this recommendation are as follows:

WORLD TRADE

Proponents and opponents alike of the administration bill favor an expanded world trade. But opponents of the bill, as passed by the House, point out the urgent need for truly reciprocal trade. Since World War II, foreign-trade arrangements under the Trade Agreements Act have not been truly reciprocal.

1. The United States is one of the lowest tariff countries in the world. Under the Trade Agreements Act, our tariff rates have been reduced 75 percent. Over half our imports enter the country free of duty, or at token rates.

2. Foreign countries, on the other hand, regardless of their tariff rates, have found many ways to impede entry of our exports of manufactured goods. The plain fact is foreign countries will buy from us what they need and do not produce themselves, but they will not permit our goods to enter their countries if their own manufacturers can supply their needs.

3. Foreign nations are not prevented for lack of dollars from buying more products or services from us. In fact, quite the contrary. Foreign holdings of gold and dollar assets increased $7 billion in the 4-year period 1953–56. The small gap in 1957, $300 million, was due to nonrecurring needs arising out of the Suez crisis. This was more than covered by the $1 billion surplus foreign nations had against the United States in 1956 alone.

JOBS

Jobs are vital to our national welfare. Our whole economy is based on jobs. One large provider of jobs is industry.

1. A McGraw-Hill publication, Business Week, reports in its June 7, 1958, issue that from a peak of 17½ million late in 1953 employment in manufacturing industries has declined by almost 2½ million workers. Imports in 1957 were nearly $3 billion more than the $10,215 million of imports during 1954. These increasing imports, encouraged by substantial tariff-rate reductions during this period, contributed materially to the disemployment of American workers.

2. Administration witnesses in hearings before the House Ways and Means Committee conceded that the figure of 4½ million jobs, widely alleged by proponents of the administration bill to depend on exports, was, in fact, unreliable, misleading, and inaccurate.

3. It is, of course, a fact that many jobs are dependent on world trade. Just how many is moot. It is unequivocally clear, however, that we cannot absorb unregulated or unlimited imports of manufactured goods of the kind our manufacturers can produce in adequate volume for our needs without our workers suffering a serious job loss.

COMMUNIST THREAT

The administration claims that if we do not continue present trade policies and procedures Soviet Russia will be able to wean friendly countries away from the free world and into the Communist orbit.

1. This claim overlooks the fact that at any time we wish we can resume friendly bilateral-trade negotiations with any country, with a view to establishing truly reciprocal and mutually beneficial trading arrangements. Proof of this is the so-called voluntary self-imposed Japanese quota on textile exports negotiated by the executive branch.

2. The summary of the report on Foreign Economic Policy for the Twentieth Century, prepared by panel III of the special studies project of the Rockefeller Bros. Fund, Inc., just released, states: "Sino-Soviet aid promised (only a small part has been delivered) to the less-developed countries from January 1, 1954, to February 1, 1958, amounted to $1,952 million, of which $378 million is military." We have provided the free world nearly $70 billion of aid since World War II, of which about two-thirds has been economic and one-third military. We currently are providing nearly $4 billion of aid annually—more in 1 year than the Soviet has promised in 4 years 1 month. And the Soviet recently canceled $250 million, over 12½ percent of its total promised aid (Yugoslavia).

3. If we are losing the battle of aid to free countries, it is due to reasons other than tariffs, and it would seem reasonable to suggest we need a new team of policymakers, negotiators, and administrators of foreign aid.

CASE HISTORY

Two new items from the Philippine Islands which appeared in the Daily News Record on March 25 and June 18, 1958, vividly illustrate the folly of our aid-trade policies. These items are attached.

1. The Philippines in 1955 were a substantial cotton-textile customer of the United States.

2. With our financial aid and technical know-how, the Philippines by the end of 1958 will be essentially self-sufficient in cotton textiles and, in fact, will have some exportable surplus.

3. Encouraged by representatives of the executive branch of our own Government, the Philippines will soon erect a protective tariff to exclude cotton-textile imports.

4. United States industry has lost another foreign customer, and more American workers will lose jobs.

5. This is but one of many comparable examples.

The conduct of foreign-trade policy in recent years has been unsound. Objectives sought have not been achieved. Appointed departmental officials, neither accountable nor responsive to the electorate, have demonstrated a total incapacity to wield wisely the great power they have had over our foreign trade for the past 24 years. It is time to safeguard our national economic and social interests by a change in procedure. Especially, it is time to return responsibility to our elected representatives who are accountable to our people. To this end, your assistance is sought by this letter, which I hope may be included in the record of the hearings before your committee on this subject.

Respectfully yours,

A. U. Fox.

[From Daily News Record, March 25, 1958]

PHILIPPINES SEEN HAVING 29 TEXTILE PLANTS BY 1959

MANILA, PHILIPPINE ISLANDS.—By the end of 1958, there are expected to be 20 textile-manufacturing enterprises operating in the Philippines with more than a quarter million spindles and a capacity in excess of 35 million pounds of yarn.

This prediction is made by Paul D. Summers, Director of the United States Operations Mission to the Philippines. Mr. Summers observes that this anticipated capacity by December will mean doubling the present Philippine yarn production in a single year.

Savings to the Philippine economy as a result of the establishment of textile plants, according to Mr. Summers, have already exceeded $13 million. This is considered to be a conservative estimate. People in the industry have placed the savings at as high as 40 million pesos ($20 million).

This bright picture of the textile industry is painted by Mr. Summers in a review of the assistance that the United States International Cooperation Administration, through the industrial development center, has extended to major Philippine industries.

Textile manufacturing, according to the ICA Director, "has received very substantial help from IDC, and has responded with spectacular expansion."

It is noted that in January 1955, there was only 1 textile firm in operation, with 37,000 spindles and an annual output of 4,700,000 pounds of yarn. Today, there are 19 mills with a total of 111,656 spindles and a capacity exceeding 16 million pounds a year. This represents an increase of over 300 percent in less than 3 years.

[From Daily News Record, June 18, 1958]

PHILIPPINES OFFICIAL PLANS TO ASK YARN, CLOTH IMPORT BAN

MANILA.—Jose Locsin, chairman of the top policymaking National Economic Council, has assured textile manufacturers he would recommend shortly the banning of imports of cotton knitting yarn, gray cloth, and finished fabrics.

All of these items, he said, are now being manufactured here and their continued importation would jeopardize the development of the infant textile industry.

This assurance was given by the head of the country's economic planning and implementing body to the members of the Textile Mills Association of the Philippines who called on him for a policy statement.

Mr. Locsin said there would be no need for special legislation to implement the steps necessary to protect the local industry. All that would be needed, he explained, would be to reexamine existing laws and policies and see that they are enforced.

He suggested, for instance, a round-table conference with officials of the Central Bank, the Department of Finance, the Economic Council and the members of the textile association so existing policies could be coordinated for the protection and promotion of the industry.

The textile men have particularly complained against the entry of items that are now being produced here and warned that the industry would face ruin unless such importation is stopped.

An American textile consultant has also recommended to the Philippine Government banning of cotton yarn imports and setting up of a protective tariff on cotton and synthetic gray cloth and all finished textiles to permit the growth of the local textile industry.

Sidney L. Buffington, who is under contract with the Industrial Development Center through the United States International Cooperation Administration, has recommended these measures to give the local industry more incentive to expand.

He warns that unless the necessary steps to encourage the installation of looms for weaving cotton cloth are taken at once, the Philippines a year from now will have a tremendous excess of yarn which it cannot utilize.

STATEMENT BY THE AMERICAN PAPER & PULP ASSOCIATION

This statement expresses the position of the paper industry (including the manufacture of woodpulp and paper products within this term) in regard to proposed tariff legislation, and is made by the American Paper & Pulp Association, the overall trade association of the industry, which is comprised of 14 divisional associations of which 280 primary manufacturers of pulp, paper, and paper products are members.

The paper industry believes that its place in the national economy, the character of its products, its experience in tariff matters, and its position in international trade render its opinions on tariff matters of particular value.

The paper industry ranks fifth in size of all American industry. Its product is truly international in character, for paper is used in every country in the world and is manufactured in almost every country where its basic raw material, chiefly coniferous wood, is available.

In the field of international trade, the paper industry's market which includes paper, paper products and woodpulp, for many years has imported much more than it has exported. In 1956, exports were somewhat under $280 million, while imports ran well over $1 billion, or close to 4 times the value of exports. Of the import items, less than 6 percent were dutiable; and those that were dutiable are estimated to have had an average duty rate of less than 9 percent ad valorem.

In other words, the paper industry is a "low tariff industry." Under reciprocal trade agreements its tariff schedule has been lowered. Under these circumstances it might justifiably argue, from a viewpoint of self-interest, that reductions have gone far enough, and that legislative authorization for further reduction through extension of the Trade Agreements Act is not warranted. However, this industry neither reasons from that viewpoint nor reaches that conclusion. Our industry is confident that negotiations promoting international trade through the elimination or reduction of tariff and other import barriers in foreign countries against paper and paper products should be encouraged.

THE TRADE AGREEMENTS ACT SHOULD BE EXTENDED

The paper industry believes and advocates that the Trade Agreements Act should be extended for some reasonable period, but takes no position as to the exact number of years of extension.

This legislation has now been on the statute books for nearly a quarter of a century. It has been repeatedly extended for various periods under widely vary-

ing circumstances of domestic and foreign economic prosperity, recession, and depression. It has been extended in time of peace, in time of war, and in years of recovery from war. It has become an integral part of the foreign-trade policy and practices of the United States. And today, when the Congress is faced with the alternative of another extension or an abandonment of the policy of "bargained tariffs" as distinguished from "unilateral tariffs," the United States is in a position of unquestioned leadership among the free nations of the world, with all of the responsibility inherent in that position. It has the responsibility to do everything reasonably calculated to strengthen and unify the free world.

In the postwar years in which this free-world leadership has emerged, the United States has encouraged and supported moves toward economic integration among the free nations of Western Europe, while bearing in mind that the basic initiative must come from those nations themselves. Fundamental in this support has been the implicit approval of the reduction of trade barriers by voluntary agreement between free nations. If the United States, in the context of this recent history and the present situation, should suddenly abandon and thus inferentially renounce the principle of international agreement on tariffs and trade barriers, it would be abandoning its duty of leadership.

TRUE AND MANDATORY RECIPROCITY

But this advocacy of further extension does not imply that we believe the Trade Agreements Act has provide to be the perfect or final method of solving the intricate problems of international trade. The merits of its basic principle of reciprocity— the lowering of trade barriers by agreement—has too often been dissipated by agreements which are reciprocal in form rather than in substance. When a United States tariff is bargained downward in return for some commensurate lowering of the tariff of a foreign country, the agreement appears to be constructively reciprocal. But when the foreign country still imposes import quotas or currency cotrols, its concession in the tariff field is meaningless.

As an example, in a reciprocal agreement Canada cut its duty on imports of kraft paper in exchange for other concessions by the United States. On the effective date of the duty reduction Canada placed an embargo on all imports of kraft paper. The United States went through with its concessions. The reciprocity was formal but meaningless.

We urge, therefore, that the basic requirement of true and substantial reciprocity be made more clearly mandatory. Reciprocity is implicit in the concept of agreement upon which the act is based. It should be made explicit.

NEGOTIATION WITH PRINCIPAL SUPPLIER

Another aspect of reciprocity which has been overlooked too often is the necessity of the basic international bargain being with the principal foreign supplier.

If under a bilateral agreement, the United States lowers a tariff rate in consideration of the other party making some commensurate concession, it would seem to make no difference whether the other party is the principal supplier of the commodity on which the United States has cut its rate. But of course the effect is not limited to the two parties to the agreement, for the most-favored-nation treatment produces a multilateral effect, giving to the principal foreign supplier a benefit not measured by the bilateral bargain. In other words, we have given up more than we have bargained for.

In multilateral agreements the necessity for bargaining with the principal foreign supplier is just as great, or possibly greater. With many nations at the bargaining table, the aim can well be the adoption of a sort of multilateral code of trade ethics, and the idea of a quid pro quo for each substantial concession—the whole basic idea of the Trade Agreements Act—is subordinated. A rate may well be lowered in consideration of an ideological concession, or to strengthen a government sympathetic to our ideals. However, this is not the purpose of the Trade Agreements Act. The statute should not be permitted to be a tool for bargaining in the field of diplomacy but rather it should be an instrument for the furtherance of international trade. To assure that it be thus used, bargaining with the principal foreign supplier—manifestly the congressional intent—should be mandatory.

TARIFF REDUCTION AUTHORITY

The paper industry favors the tariff reduction authority requested by the administration insofar as it is based upon an annual reduction measured by percentage of present or prior rates, but is opposed to the proposed alternative of reduction by percentage points.

The percentage-point proposal would simply be unfair to those industries with already low rates. For example, under the proposed authority to reduce by 3 percentage points, the 5-percent duty rate on fiberboard, a major product, could be reduced to 2 percent ad valorem, or a reduction of 60 percent.

This proposal is of vital interest to the paper industry because, as has been pointed out previously, the average ad valorem rate for all dutiable papers and paperboards is below 9 percent. The percentage-point proposal actually discriminates against such an industry whose commodities have already lost the greater measure of their protection. There is no reason why this discrimination should be broadened.

Tariff reduction authority should be on the basis of percentage, and not percentage points.

ESCAPE CLAUSE

The paper industry endorses the proposed change in the basis for escape-clause relief, from the 1945 rate to the 1934 rate. Domestic industries should not be sacrificed solely because the Executive is limited in the extent of escape-clause relief which he can grant. This proposal thus would more readily enable the Executive to ameliorate import difficulties without resort to the imposition of import quotas, which are totally inconsistent with the entire concept of reciprocal trade.

Respectfully submitted.

ROBERT E. O'CONNOR,
Executive Secretary.

TILE COUNCIL OF AMERICA, INC.,
New York, N. Y., June 26, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: As the representative of an industry that has been grievously affected by the uninhibited influx to this country of the products of cheap foreign labor, we are constrainted to register our strongest opposition to extension of the Reciprocal Trade Agreements Act as passed by the House of Representatives.

Since we testified in detail on our position before the House Ways and Means Committee, we feel we have had our day in court, and therefore we have not requested time to testify before your committee. We are, however, taking the liberty of enclosing our brief filed with the House committee setting forth our position.

We call your attention to the official transcript of the Ways and Means Committee hearings, part 1, pages 980–998, which set forth the views of the Tile Council of America on the extension of the Reciprocal Trade Act. We also call your attention to the minority views in House Report 1761, pages 55–86, and to the supplemental minority report of the Hon. John Byrnes, of Wisconsin, found on page 87 of the same House report. The Tile Council of America concurs in the above entitled minority reports as essentially reflecting our own viewpoint on the subject legislation.

We cannot stress too strongly that it is the considered judgment of the members of the Tile Council of America, composed of manufacturers who produce nearly 90 percent of the ceramic floor and wall tile made in this country, that extension of the Reciprocal Trade Act in its present form is inimical not only to our own industry, and industries similarly affected, but to the interests of the United States. The type of legislation approved in the House, after what we consider a disgraceful display of sheer power politics, could sound the death knell for a host of small industries in this country. We feel confident that the Senate of the United States will not permit this to happen.

While our industry does not rank among the giants, its productive facilities and dependent labor are nationwide. Domestic tile manufacturers operate plants located in Alabama, Arkansas, California, Florida, Indiana, Kentucky, Massachusetts, Mississippi, New Jersey, New York, North Carolina, Pennsylvania, Ohio, Tennessee, Texas, and West Virginia. If you consider our suppliers, contractors, and dealers, we reach into all of the 48 States. We do not feel we are expendable because of our size. We cannot believe that your committee is of the opinion that our industry, and those similarly affected, are expendable.

We sincerely hope, Mr. Chairman, that your committee will exhibit a more sympathetic attitude toward the industries in this country that are being driven to the wall by the influx of products manufactured by labor paid only a fraction of the wages paid in this country. At the same time, we feel confident that the United States Senate will reveal itself more immune to the pressures of political expediency than was exhibited recently by the other House. Based on your many years of great public service, we are sure you will agree, Mr. Chairman, that the administration must have paid one of the highest prices in the history of Congress to obtain passage of the legislation in the House.

If a 5-year extension of the Reciprocal Trade Act, with its added tariff-cutting authority, is enacted, we feel that there may be some among our number who will be unable to register their opposition in 1963—they probably will be out of business.

We therefore respectfully request that your committee unfavorably report H. R. 12591 in its present form, and support legislation that will preserve the role of scores of industries in our Nation's economy adversely affected by the provisions and administration of the Reciprocal Trade Agreements Act.

RICHARD B. ALEXANDER.

COMMERCE & INDUSTRY ASSOCIATION OF NEW YORK,
New York, N. Y., June 26, 1958.

Subject: H. R. 12591.

Hon. HARRY FLOOD BYRD,
Chairman, Committee on Finance,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: The Commerce & Industry Association of New York, Inc., as the service chamber of commerce for the New York metropolitan area, with half of its 4,000 member firms directly concerned with expanding international trade, strongly urges your committee to act favorably on H. R. 12591, designed to promote even further expansion of our foreign trade in the best interests of all elements of our economy—industry, labor, and the consumer.

Under the stimulus of reciprocal trade agreements negotiated by virtue of authority in section 350 of the Tariff Act, our country's exports and imports have grown tremendously over the last 24 years. As a result, there is increasing awareness of the inestimable importance of international trade in maintaining domestic employment at maximum levels, and more general acceptance of the desirability of a liberal, long-range trade program is evident among leaders in all segments of our economy.

The bill as passed by the House of Representatives contains several shortcomings which we believe reduce the potential benefits to be derived from its enactment, such as, authority for escape-clause duty increases of 50 percent above the rate in effect in 1934 and authority to fix a 50-percent ad valorem duty on imports presently bound on the free list. Such features militate against the fundamental objectives of a measure intended to create an atmosphere of cooperation among trading partners and a degree of stability in tariff rates. These shortcomings, however, are far outweighed by those aspects of the measure intended to continue our established trade policy, especially the 5-year extension of the President's authority under the program.

In that connection, we firmly believe that the legislative branch owes it to the business community to create a relatively stable climate in which the necessarily long-range plans required to complete international commercial transactions can be made with the maximum of assurance that governmental action will not precipitately negate them. Accordingly, we urge your committee to approve of a 5-year extension of the program and to reject any proposed short-term extension which could leave our manufacturers and exporters so vulnerable to concerted action contemplated by European nations now developing the common market and free trade areas.

Extension of the trade-agreements program without vitiating amendments is of particular importance to hundreds of New York firms, inasmuch as their prosperity and even their very corporate existence are so intimately related to the movement of domestic and foreign cargoes through the port of New York. Any developments retarding opportunities for increasing this two-way flow of commerce are of much more than academic concern to such firms. In this respect, however, their status is not unique, but is multiplied countless times in the other major cities of the country, and particularly throughout the industrial heartland of the United States.

Your committee's action in passing H. R. 12591 without any debilitating amendments thus would be a notable effort in behalf of the economic security and prosperity of our country as a whole.

Respectfully,

VINCENT J. BRUNO,
Assistant Director,
World Trade and Transportation Department.

ARMSTRONG CORK CO.,
Lancaster, Pa., June 25, 1958.

Hon. HARRY F. BYRD,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: We in the Armstrong Cork Co. have tried to maintain an enlightened view with respect to reciprocal trade agreements. However, over a period of 20 years the results of this program insofar as we have been affected have been unsatisfactory. In the several trade agreements with the United Kingdom and other countries, and the multilateral trade agreements under the General Agreement on Tariffs and Trade (GATT), there has been scarcely a single item emerge from the negotiations that has been of direct benefit to us. Perhaps we should not complain of this.

However, there have been instances where our State Department negotiators have made concessions that have been detrimental not only to the Armstrong Cork Co. but to the entire American economy, in our opinion. For example, in 1955, in connection with the Japanese trade agreement, at the request of Denmark, the United States reduced the duty on cork tile from 10 cents to 5 cents a pound, although it was clear that Portugal (a non-GATT member) would be the principal beneficiary of this concession. We correctly forecast at the time that Portuguese exports of cork tile would increase, and that Portugal would reap most of the advantage. As you probably know, Portugal has done nothing to cooperate with the reciprocal trade agreement program, but on the contrary, so to speak, sits on the sidelines enjoying increased sales to the United States.

By way of justifying this concession to Denmark, the State Department explained that Denmark agreed with Japan to bind her existing duties on monosodium glutamate, mother-of-pearl, buttons, agar-agar, and bolting cloth of silk for milling or for similar industrial purposes. It is difficult to discern any quid pro quo in this situation.

We believe that the 5-year extension in the pending bill is too long. Congress should examine the trade agreement program every year or so. We also feel that more authority should be lodged in the Tariff Commission to make effective recommendations under the escape-clause provisions and other procedures established in the law.

We shall greatly appreciate your interest in these suggestions.

Yours very truly,

C. J. BACKSTAND, *President.*

THE AMERICAN LEGION,
NATIONAL LEGISLATIVE COMMISSION,
Washington, D. C., June 24, 1958.

Hon. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: Referring to the hearings now being conducted by the Senate Finance Committee on H. R. 12591, the Trade Agreements Extension Act of 1958, I enclose copy of Resolution No. 41 adopted at the April 30–May 2, 1958, meeting of the national executive committee of the American Legion, our governing body between national conventions.

This resolution urges Congress to enact legislation and the Government to adopt a foreign trade policy that will prevent injury to and liquidation of industries essential to the defense and the economic welfare of our country.

While we are not asking for the privilege of a personal appearance by a representative of our organization before the committee during the hearings, we would appreciate it if this resolution could be given consideration by the members of the Senate Finance Committee during their deliberations on this subject.

I also respectfully request, if there be no objection, that the resolution be incorporated in the record of the hearings.

I am also sending copies of this letter to all of the members of the Senate Finance Committee.

Thanking you for your courtesy and cooperation, I am,

Sincerely,

MILES D. KENNEDY, *Director.*

National Executive Committee Meeting the American Legion Held April 30–May 2, 1958

RESOLUTION NO. 41

Committee: Foreign Relations Commission.
Subject: Amend Reciprocal Trade Act.

Whereas certain American industries, labor, and segments of our agriculture, essential to our defense and the economic welfare of this country, are being injured by the provisions and administration of the Reciprocal Trade Act; and

Whereas the continuance of this act and its administration will seriously affect the defense of the United States; and

Whereas we are becoming more and more dependent upon industry, agriculture, and raw materials located near Communist-dominated countries and in easy reach of potential enemy army, navy, and air forces: Now, therefore, be i

Resolved by the national executive committee of the American Legion in regular meeting assembled in Indianapolis, Ind., on April 30, and May 1 and 2, 1958, That the American Legion urge the Congress to enact legislation and the United States Government to adopt a foreign trade policy that will prevent the injury to or liquidation of industries essential to the defense and the economic welfare of this country.

WOVEN LABEL INSTITUTE, INC.,
New York, N. Y., June 27, 1958.

HON. HARRY F. BYRD,
Chairman, Finance Committee,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: This letter, stating our views on the Trade Agreement Extension Act, is submitted for insertion in the printed record of the hearings in response to the suggestion contained in telegram dated June 20, 1958, from the office of your committee.

The woven-label-manufacturing industry in the United States consists of approximately 45 manufacturers operating factories in 15 States. The average concern has about 75 employees. There were several more domestic firms a few years ago, but these have fallen by the wayside as a result of foreign competition in this country. Although the woven-label-manufacturing industry is the smallest segment of the domestic-textile industry, it nevertheless maintains the highest average hourly rate of pay, since its manufacturing process is the most complicated and technically developed.

The domestic woven-label-manufacturing industry is in a very serious condition today as a result of foreign imports. The tremendous increase in these imports since the Foreign Trade Agreements Extension Act of 1951 became effective can be gathered from the incomplete reports of such imports published by the Census Bureau. According to data published by the Census Bureau, imports of foreign woven labels from one country alone increased from $1,909 in 1952 to $366,462 in 1957. We would like to point out that it is difficult to ascertain the true extent of woven-label importations because the Census Bureau does not include in its statistics small-mail shipments of $250 and under, and we believe that the vast majority of woven-label imports entered the country in this manner. We estimate the actual value of the 1957 imports, based on prices at which the competitive domestic product is customarily sold, to be at least $1,500,000 and constitutes approximately 10 percent of the total annual woven-label business done in this country. This estimate concurs with one given by Secretary of Commerce Sinclair Weeks in a recent letter to Congressman Sadlak of Connecticut, a member of the Ways and Means Committee.

What frightens the domestic woven-label manufacturers the most is the rate of increase in the importations of woven labels. Past history indicates that these importations will increase substantially by reason of the fact that these imported labels are being sold in this country considerably below the cost of

domestic production of competitive products. For instance, if a domestic manufacturer cuts his price by 50 percent, he cannot begin to meet his cost and at the same time such a staggering price cut is of no avail against foreign competitors who can undersell him and still derive a satisfactory profit. These low prices not only divert a large volume of business from domestic manufacturers but also create the equally serious condition of a depressed price structure for the products of the domestic manufacturers in their vain attempt to operate their business in competition with the imported product. It is obvious that, should foreign woven labels continue their rate of increased sales in this country, the domestic woven-label industry will be extinct within a decade.

The average wage in the domestic woven-label industry is $1.85 per hour. The average wage for the same work in the country from which the bulk of woven-label importations originate is 17 cents per hour. Herein lies the source of our distress. Many businesses are highly mechanized and can spend hundreds of millions of dollars on the necessary and automatic labor-saving equipment to enable them to cope with foreign labor costs. The domestic woven-label-manufacturing industry cannot do this because of a lack of capital, and more important and even if capital were available, there is no new labor-saving equipment that could be purchased that is superior to the equipment used by foreign manufacturers. The machinery on which woven labels are made is the same all over the world. In addition, there is no incentive for a manufacturer to spend large sums of money developing such equipment as the market for such equipment would not be large enough to justify the cost of development.

The domestic woven-label-manufacturing industry has no possibility of exporting its products on any great scale to any locality in the world. At present, it does sell obsolete woven labels to certain areas in Central and South America but at prices far below cost simply to unload these labels which are unsalable in this country. This undesirable business constitutes less than one-half of 1 percent of the industry's volume and is so negligible that it is not worthy of consideration in this discussion. The domestic woven-label industry, in practice, has no overseas market and is utterly defenseless against imports at the present time.

Because of the tremendous difference in the cost as between the American and Japanese woven label, to choose a specific example, application by the domestic woven-label industry to the Tariff Commission for relief under the escape clause in the foreign trade agreements through imposition of increased tariff duties on Japanese importations, will not stop the ever increasing importations of Japanese woven labels. Actually, even if the existing tariff were raised by 200 percent, it would avail the domestic woven-label industry nothing. Furthermore, we understand that an industry must be virtually destitute and in ruins before relief is granted under the escape clause. We are not in that condition as yet and do not seek to operate under a policy of locking the barn door after the horse is stolen. Therefore, the domestic woven-label manufacturers ask that H. R. 12591 be amended to restrict foreign woven labels to a quota of 5 percent of the domestic production or provide that there be imposed completely protective tariff rates of duty on such class of articles.

The primary reason for the dramatic upsurge in the importations of foreign woven labels in recent years is the lack of uniformity in enforcement of the marking laws. Many customers do not realize that they are, for example, purchasing woven labels made in Japan since frequently only the outer container specifies the country of origin and the importer may remove this before making delivery. We have seen innumerable cases where the employees of a garment factory assigned to sewing labels to the garments had no idea that these labels were of foreign origin. And certainly the consumer purchasing the garment in a retail store had no inkling as to where the woven label was made. To correct these abuses, the domestic woven-label industry asks that H. R. 12591 be amended so that in the future "all such imported articles capable of being marked shall be marked in a conspicuous place as legibly, indelibly, and permanently as the nature of the article will permit in such manner as to indicate to the person obtaining by purchase or exchange such imported article, separately or such article which subsequent to importation but before delivery to a person is combined with another article, with no intent to sell such article in any form."

We feel that these two amendments will enable the domestic woven-label industry to survive and serve the needs of our country as it has for nearly a century.

Cordially yours,

JOSEPH L. KLEIN, *Director.*

STATEMENT BY CECIL H. UNDERWOOD, GOVERNOR OF WEST VIRGINIA, TO THE SENATE FINANCE COMMITTEE, JULY 2, 1958

Mr. Chairman, it was my original intention to ask that your committee permit me to appear before it in person as a witness for the national security amendment to the bill extending the Reciprocal Trade Agreements Act. Unexpected developments in Charleston have made it impossible for me to schedule a visit to Washington this week, and I am, therefore, submitting this statement through the office of Senator John D. Hoblitzell, Jr.

The need for legislation to protect the economy of West Virginia from the destructive effects of excessive imports of residual oil has been established on a number of occasions before congressional committees as well as on the floor of the House and of the Senate. West Virginia's men and boys were home from World War II only a short time when it became evident that many of the opportunities which they had envisioned were being dissipated in a sea of foreign oil.

Mr. Chairman, regardless of what States the members of this committee may represent, we can be sure that many of their adult constituents share the same war experiences as did our West Virginia veterans. From the steaming jungles of Guadalcanal, through the waters of the South Pacific to the inland seas of Japan, in the outposts of what were then friendly Asian areas, and on to the beaches of Algiers, Casablanca, and the Italian peninsula, and finally across Normandy and the mountains and plains of Western Europe; from the 48 States our military men joined in combat to finish the task that had been thrust upon them. Through almost 4 fateful years they made whatever sacrifices were necessary to answer the demands of their country.

When the fighting was over and our boys returned to their respective homes, those who had fought shoulder to shoulder against the common enemy never dreamed that any of them would be deprived—through policies of the Federal Government—of the means of earning a living for themselves and their families.

I call to the attention of the committee the fact that foreign residual oil began to usurp domestic coal markets—thus reducing the available jobs in the coal and railroad industries of West Virginia—even before many of our World War II veterans got out of uniform. As early as 1946, some 45 million barrels of residual oil entered our shores. The coal equivalent of this intake amounted to above 11 million tons, representing a loss of $20 million in miners' wages and $12 million in the pay envelopes of railroad workers.

At the time, 45 million barrels of residual oil may not have seemed like an insurmountable flood. To protests by coal-industry leaders who recognized the economic threat in this flow of a waste product from alien refineries, policymakers in Washington replied that mutual benefits would accrue to United States workers in general, and that unemployment in the coalfields would be restricted to a very limited period.

As residual oil imports spiraled upward, however, both Houses of Congress took cognizance of the inherent dangers. Before committees of Congress in 1950, indisputable testimony of imported oil's harm to the economy of West Virginia and other coal-producing States went into the official records. As part of my testimony, I should like to include these brief excerpts from witnesses appearing before the congressional committees 8 years ago.

"The residual oil imported in 1949 directly affected 25,000 coal miners. Some were completely severed from their work, and the remainder had their workdays drastically reduced in number."—Thomas Kennedy, vice president, United Mine Workers of America.

"In the last 3 years, from February 1947 to February 1950, the number of men employed by the railroads of America has declined from 1,368,285 to 1,170,192, a decrease of 198,093. While we do not ascribe all of this enormous increase in railroad unemployment to any single cause, we cannot escape the obvious significance of an increase in oil imports of almost 400,000 barrels a day in the same 1947–50 period."—Harry See, Brotherhood of Railroad Trainmen.

"The prosperity of the coal industry heavily affects the economic life of the area for which I am speaking. To disturb such a status is not to disturb a comparative few who may have ownership in coal properties, but to directly affect the lives of 120,000 miners and their families, and to indirectly affect, and to a major extent, the lives of a similar number of workers who engage in business or professions almost wholly dependent upon the regular and consistent production and shipment of coal. Including all workers and professions, together

with their families, it may be said that the entire economy of this area with its 2 million citizens is built on coal."—Walter R. Thurmond, Charlestown, W. Va., secretary, Southern Coal Producers Association.

Those statements were made in May and June of 1950. Now, 8 years and more than a billion barrels later, the distress is so chronic and widespread as to have become a malignant burden upon our entire economy. A large portion of our mining force has been unemployed since the start of the so-called peace years in 1946. Many of our people have been on a day-off, day-on basis so long that they have never in the past decade been able to catch up on bills and buy the household equipment and repairs that have been needed these many years. Unemployment compensation, relief funds, local charities, and surplus foods have kept thousands of our men, women, and children alive since this blight imported from the refineries of Venezuela and the Dutch West Indies first struck our mining towns.

I have taken it upon myself to analyze the makeup of the Senate Finance Committee. I am confident that the members of the committee in whose States there is coal production are entirely familiar with the economic situation in our mining towns, although it is true that West Virginia alone has been hit hardest by the encroachment of foreign residual oil on the fuel markets of the Atlantic seaboard. West Virginia's output of bituminous coal is approximately one-third of that for the Nation as a whole, and the proportion shipped to the utilities and heavy industrial plants on the east coast is much greater.

Members of the committee from oil-producing States are most certainly sympathetic to West Virginia's position. Your oil people have been hurt. Domestic production has time and again been cut back to accommodate the selfish demands of importing companies. West Virginia is a pioneer among the oil producers; and, this industry is still important to us. I also speak for West Virginia's oilmen when I appeal for a limitation on imports of crude oil and oil products. As a matter of fact, there is not one resident of West Virginia who can escape the impact of excessive oil imports. While the miner and the railroader are hit hardest, a blow of almost equal force is struck at the community merchants, the gasoline-station owner, the barber, the butcher, the baker—everyone whose income is in any way dependent upon a vigorous coal industry suffers under the present oil import policy.

When coal production is off, our churches cannot possibly receive the necessary funds for essential maintenance and expansion. Our schools suffer, for only by State and local taxes are we able to provide for our public educational system. Finally, the deficit jeopardizes our State and local law-enforcement agencies, our fire departments, and other vital State, county, and municipal functions.

To those members of the committee whose States are not harmed by policies which permit alien oil to undermine our domestic fuel industries, I appeal to your sense of justice for a fair decision with respect to the proposed national security amendment. Will you please permit us the opportunity of economic resuscitation for at least the duration of the coming reciprocal trade extension? Include a 3-year provision if you wish—or 2 years, or 1. But at least allow this measure of economic resurgence to those of your compatriots who have been forced to endure an obnoxious governmental policy for more than a decade.

Before concluding, may I remind you that the Nation's defense structure is in danger so long as coal production cannot be quickly accelerated to wartime demands. Under the present circumstances many of our mines are closed down and would require as much as a year to reopen and be made operational. Last week I talked with a coal operator whose production is in the vicinity of 200,000 tons annually. His markets on the east coast have been shut off by the influx of residual oil. He explained that his two continuous mining machines are idle and that, unless surcease to the unfair foreign competition comes within a very short time, he will be forced to dismantle them and put them up for sale. Some of our larger mines are operating at a loss and will soon be forced to close unless their markets are restored to them.

I am sure that the committee is familiar with the railroad situation. Unless coal traffic increases, thousands of gondolas and hopper cars will rust away and a perilous car shortage will develop.

The economy of coal-producing States and the security of the Nation demand that the national security amendment be included in the bill which the committee will soon act upon.

Thank you.

NATIONAL ASSOCIATION OF PHOTOGRAPHIC MANUFACTURERS, INC.,
New York, N. Y., July 1, 1958.

COMMITTEE ON FINANCE,
United States Senate,
Washington, D. C.

STATEMENT IN BEHALF OF THE AMERICAN PHOTOGRAPHIC MANUFACTURING INDUSTRY

Mr. Chairman and members of the committee, this statement, in respect to the bill, H. R. 12591, to extend the Reciprocal Trade Agreements Act now receiving your consideration, is presented in behalf of the American photographic manufacturing industry as represented in the membership of the National Association of Photographic Manufacturers, Inc., whose members, according to best available information, produce more than 90 percent of the dollar volume of photographic products in the United States.

In our present statement may be briefly outline the problems confronting the industry and emphasize three particular objections to the bill in its present form, namely:

(1) Positive and certain relief provisions for injured domestic industries and for the protection of essential defense potential are needed.

(2) Further important reductions could be made in rates already excessively reduced.

(3) Many items could be placed on what would almost amount to the free list if authority contained in the bill is utilized.

Problems of precision photographic manufacturers

In previous appearances before the committee, going back over a period of years, witnesses speaking in behalf of the industry or of their own individual photographic manufacturing interests, have called your attention to the increasingly heavy percentage of the American market, especially with respect to fine cameras, lenses, precision shutters, and similar products, which was being taken over by imports.

Your attention was called to such facts as these:

(1) That products principally affected are those having a high skilled-labor content.

(2) That the problem is almost entirely one of substantially lower foreign wage rates (running from one-tenth to one-fourth of ours), combined with the fact that foreign producers in general have available to them the same advanced production methods and equipment as the American manufacturer.

(3) That American manufacturers of such products would either find themselves waging a losing battle to maintain a satisfactory share of their own home markets, or would be forced to seek to overcome the situation by having lenses, shutters, and other precision subassemblies and parts, or possibly even completed products, made abroad for them. This has now come about to a significant degree.

(4) That these products are a major peacetime means of livelihood and continued existence of highly skilled workers and specialized equipment essential to national defense.

(5) That to the extent the American manufacturer's domestic market is taken over by imports or he finds himself under the necessity of buying precision parts abroad, we are to that extent in effect exporting skilled jobs in what the Munitions Board has termed a "critical production area."

(6) That certain segments of the photographic manufacturing industry, principally those referred to, had already been seriously injured as a result of foreign competition promoted and aided by reductions which had already been made in United States tariff rates on photographic products.

(7) That the impact of this competition is being most seriously felt by the smaller companies since they are the ones which tend more to specialize in limited product areas.

To show you how these developments have progressed at an accelerated pace, please note the striking growth of photographic imports into the United States, which in total have more than doubled in the last 4 years (from just under $21 million to just over $46 million). The situation in the critical areas of fine cameras, lenses, and parts is set forth in table I.

TABLE I.—*Imports of cameras (over $10), parts, and lenses*

Country	1954		1955		1956		1957	
	Number	Value	Number	Value	Number	Value	Number	Value
Cameras valued at more than $10 each:								
West Germany	162,784	$6,450,336	212,731	$8,165,067	215,531	$8,648,519	176,209	$9,250,159
Japan	7,982	210,333	40,616	1,021,506	182,692	2,788,508	252,672	5,027,872
All countries	202,667	8,744,967	302,352	11,660,566	423,067	14,900,770	467,317	17,646,219
Camera parts (other than motion picture):								
West Germany	.....	798,263	.....	1,104,476	.....	1,066,406	.....	1,064,059
Japan	.....	65,663	.....	166,561	.....	337,999	.....	418,498
All countries	.....	(1)	.....	1,632,282	.....	1,506,063	.....	1,637,603
Lenses:								
West Germany	104,022	1,200,127	137,764	1,502,705	127,446	1,679,676	231,422	2,549,705
Japan	87,951	451,851	72,978	451,736	188,465	913,430	329,851	1,268,198
All countries	225,725	2,356,905	259,588	3,076,993	369,638	3,695,335	605,567	4,762,712

[1] Not available.

In this table, first presented is the very important classification known as "Cameras valued at more than $10 each." These are the so-called better cameras intended for the serious amateur or even to some degree for professional or other nonpersonal uses. There is a relatively limited market for such cameras. Trade estimates are to the effect that there are only about 10 million such cameras in use in the United States of all ages and conditions. Yet, in 1957 more than 467,000 such cameras were imported, and in the 4-year period 1954–57 almost 1,400,000 have been brought in. You will note the amount imported in 1957 was well over double the number brought in in 1954.

The table also shows the imports of these cameras from the two principal countries involved—namely, West Germany and Japan—as well as showing the total for all countries. By way of comment, it might be noted that East Germany in this 4-year period was the source of United States imports of more than 130,000 of these cameras valued at more than $6.6 million. It is unnecessary to add that their markets are completely closed to us.

As table I indicates, the predicted increases in imports in cameras, lenses, and parts have taken place. This further strong growth serves to emphasize the point that these areas of precision equipment, necessarily involving a high skilled-labor content, are particularly vulnerable to competition from low-wage countries such as Japan and Germany.

It is particularly in these areas of high-precision products where trained workers and specialized equipment (for the most part not commercially available), and up-to-date plants, constitute a vital defense potential.

The industry's peacetime skilled labor force, maintained at a satisfactory level, would be sufficient only to provide the essential nucleus of key workers for the expanded wartime production of photographic products as well as in the making of nonphotographic products which this industry is counted upon to produce such as height-finders, rangefinders, fire-control devices, time and proximity fuses, and many other precision devices.

Need for more positive and certain relief

Although the present act provides avenues of relief for injured domestic industries and for the protection of defense potential, efforts by various affected industries to obtain relief have been most discouraging and largely unsuccessful, as the record shows. Without undertaking to judge the merits of the individual cases, it would appear that some more positive and certain means of obtaining needed relief is necessary if such provisions are to be reasonably effective.

Although H. R. 12591 contains certain changes in the relief provisions, testimony has already been presented in some detail indicating these are still unsatisfactory and in need of further improvement. We will, therefore, not burden you by repeating this information, except to state that relief provisions more in accordance with those contained in the Simpson substitute measure considered by the House would, we believe, be much more effective.

In our own industry, we see highly specialized, skilled jobs, representing critical and, in some instances, bottleneck defense-production areas, being, in effect,

exported, principally to West Germany and Japan, by reason of the increasing imports and of the increasing extent to which American manufacturers have been forced through competition of these imports to buy precision parts or even completed precision products abroad. The latter practice has forced some American manufacturers, in an effort to retain their market, to become, in part, distributors of foreign goods which they formerly manufactured themselves or, as in the case of lenses, for example, which they customarily purchased from other American manufacturers.

It must be evident that, to the extent that the United States loses or emasculates its high-precision industries, mostly quite small, which represent essential defense potential, it will be in a weakened position in the event of an emergency.

Substantial and, in some instances, excessive reductions made

In negotiations which have taken place under past authority, many United States tariff rates on photographic products as established by the Congress in the Tariff Act of 1930 have already been materially reduced. Examples of various key categories show reductions ranging from 25 to 75 percent. (See table II.)

TABLE II.—*Examples of reductions in duty*

Item	1930 rate	Present rate	Percent reduction
1. Cameras of which lens is the component of chief value.	45 percent	25 percent	44
2. Still cameras valued at $10 or more each	20 percent	15 percent	25
3. Film	25 percent	6¼ percent	75
4. Lenses	45 percent	25 percent	44
5. Motion-picture film	1/10 cent per foot	1/40 cent per foot	75
6. Sensitized photographic paper	30 percent	10½ percent	65

NOTE.—A complete presentation of original (1930), present, and further possible reduced rates of duty on photographic products is presented in the table on p. 614, pt. 1, hearings (Feb. 17-Mar. 7, 1958) before the Ways and Means Committee, this being submitted as a part of our statement.

Excessively reduced rates could be further cut

H. R. 12591 provides for further reductions, even in rates which have already been excessively reduced. An example of its possible effect on photographic duties is provided in table III, obtained by adding two further columns to table II, namely:

Column 3: Rate possible under H. R. 12591, assuming its full authority is utilized.

Column 5: Percent reduction which this rate represents in terms of the original 1930 rate (col. 1).

TABLE III.—*Effect of further reductions under H. R. 12591*

Item	1930 rate (1)	Present rate (2)	H. R. 12591 rate (3)	Percent reduction, now (4)	Percent reduction, H. R. 12591 (5)
1. Cameras of which lens is the component of chief value.	45 percent	25 percent	18¾ percent	44	58
2. Still cameras valued at $10 or more each.	20 percent	15 percent	11¼ percent	25	43¾
3. Film	25 percent	6¼ percent	4¼ percent	75	83
4. Lenses	45 percent	25 percent	18¾ percent	44	58
5. Motion-picture film	1/10 cent per foot.	1/40 cent per foot.	1/60 cent per foot.	75	81¼
6. Sensitized photographic paper	30 percent	10½ percent	8 percent	65	79

Further reductions would virtually place many items on free list

Except for a specific provision in H. R. 12591 barring such practices, its duty-cutting powers could be used to put many items on the free list. However, actually, these powers are sufficient to accomplish this for all practical purposes, even if not in actual fact.

As one example of this, such items as (1) cartridge or roll film; (2) X-ray film; (3) other film, except motion picture; and (4) motion-picture film, less than 1 inch wide, originally carried rates of 25 percent ad valorem. Through successive slashes, these rates are now only 6¼ percent. They could be further cut to 4¼ percent, thus virtually achieving free-list status for all of these classes of products. The resulting rate would be at a level of only 17 percent of the original rate.

It would seem that, in the interests of the announced program of maintaining reductions on a selective, gradual, and moderate basis, some safeguards should be imposed to prevent the further reduction of rates which have already been reduced more than moderately, or reductions which would substantially, in effect, place an item virtually on the free list.

Conclusion

In this statement we have undertaken to provide up-to-date information concerning the impact of imports on this industry which, we hope, may be helpful in connection with your present deliberations. In doing so, we have reminded you of certain points previously brought to your attention, but without burdening you by repeating the supporting evidence. The further evidence provided herein does, however, serve to emphasize the soundness of the previous testimony, as well as to indicate the reasons for the objections raised herein in respect to H. R. 12591 in its present form.

Your sympathetic consideration of our statement will be greatly appreciated.

Respectfully submitted,

WILLIAM C. BABBITT,
Managing Director.

THE INTERNATIONAL SILVER CO.,
Meriden, Conn., July 2, 1958.

Re hearings on H. R. 12591

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR BYRD: The United States stainless-steel flatware industry, for which I speak, urges the Senate Finance Committee to accept the amendment to H. R. 12591, proposed by Senator Strom Thurmond on June 24, 1958, so as to make the Tariff Commission responsible to the Congress. We also urge the Senate Finance Committee to spell out the conditions under which quotas are to be imposed on imports of foreign products.

We believe the action recommended above is necessary so that the will and intent of the Congress to protect United States industry, as expressed in escape-clause section 7 of the Trade Agreement Extension Act of 1951, cannot be thwarted by Executive action.

Let me make very clear the fact that all United States manufacturers of stainless-steel flatware, individually and collectively, believe in and support the intent of the foreign-trade policies of our Government. We do not believe, however, it is necessary to destroy any United States industry in order to enjoy favorable and profitable trade relations with any foreign country. Past decisions on escape-clause actions indicate the executive department may not share this belief.

I will appreciate your courtesy in reviewing the following material:

Exhibit A—A report to President Dwight D. Eisenhower

This was prepared following the Tariff Commission unanimous finding of serious injury to the United States stainless-steel flatware industry caused by imports of foreign stainless-steel flatware, and prior to the President's acceptance of the "voluntary" quota offered by the Japanese.

Exhibit B—A copy of letter to Senator Bush

The fact that our Government accepted the proffered Japanese quota is prima facie evidence it recognizes quotas must be imposed on imports of certain products to properly protect United States manufacturers of those products. Therefore, if its protestations of protection for United States industry are sincere, it should take no exception to the spelling out of conditions under which quotas are to be recommended by the United States Tariff Commission and proclaimed by the Executive.

Exhibit C—Projected full-year 1957 stainless-steel flatware imports compared with United States manufacturers' sales

Exhibit D

May I also refer you to the statement by Miles E. Robertson in behalf of the United States stainless-steel flatware manufacturers found at pages 2236–2251 of the hearings before the Committee on Ways and Means of the House of Representatives made March 18, 1958?

I repeat; the United States stainless-steel flatware industry believes in reciprocal trade. It is willing to share its market with imports from foreign countries on a basis that will permit both United States manufacturers and foreign manufacturers to prosper. So far as we are concerned, the Reciprocal Trade Act can be renewed indefinitely, providing, and only providing, the conditions for administering it are spelled out so clearly that those charged with its administration can follow only the course legislated by the Congress.

It is our earnest hope the Senate Finance Committee will write such measures into the act.

Sincerely,

CRAIG D. MUNSON, *President*
(For United States Stainless Steel Flatware Industry).

EXHIBIT A

A REPORT TO PRESIDENT DWIGHT D. EISENHOWER FROM THE UNITED STATES MANUFACTURERS OF STAINLESS-STEEL FLATWARE, SILVER-PLATED FLATWARE, AND STERLING-SILVER FLATWARE

TARIFF COMMISSION RECOMMENDS RELIEF

Commissioners Talbot, Jones, and Dowling recommend the withdrawal of the concessions granted in the General Agreement on Tariffs and Trade on stainless-steel table flatware, regardless of value stating [the Commission]: "Having found the domestic industry to be seriously injured * * *. The only proper remedy is one that would afford the entire domestic industry relief from import competition."

Commissioners Brossard, Schreiber, and Sutton, however, recommend the withdrawal of the concessions granted in the General Agreement on Tariffs and Trade only on stainless-steel table flatware valued under $3 per dozen pieces.

If the increase in duties is limited to flatware valued at less than $3 per dozen, the domestic industry could be faced with less competition from imports of low-priced flatware, but it would be confronted with increased competition from imports of higher priced flatware, not only from Europe but also from Japan.

QUOTA ON IMPORTS ONLY REAL HOPE FOR THIS INDUSTRY AND ITS WORKERS

We do not quarrel with the intent of the foreign-trade policies of our Government. The only issue is the extent to which these policies have so far seriously injured and, if continued, will destroy the United States flatware industry, as clearly demonstrated in this report. All we are endeavoring to do is properly safeguard the jobs of American working men and women and the rights of this American industry to exist.

We welcome the finding of serious injury and recommendation of the withdrawal of existing concessions by the Tariff Commission. However, we sincerely believe the price differential between imported stainless-steel flatware and United States stainless-steel flatware is far too wide for the resulting duty increases to do anything but bring a partial relief.

We are convinced the only effective method by which the American standard of living and American wage scales can be maintained in competition with the low wage scales and living standards of foreign countries is by the establishment of a reasonable global quota on imports. Mr. President, we very respectfully ask you to proclaim such a quota.

TARIFF COMMISSION UNANIMOUS—SERIOUS INJURY CAUSED BY IMPORTS

The Tariff Commission unanimously found in its report of January 10, 1958, "that stainless-steel table flatware is being imported into the United States in such increased quantities, both actual and relative, as to cause serious injury to the domestic industry producing like products."

TARIFF COMMISSION REPORT SUPPORTS THIS FINDING

Investigation by the Tariff Commission and its staff was thorough and complete. It included a public hearing, exhaustive questionnaires, and excessive fieldwork covering both United States producers and importers.

The Commission stated in its report—

that imports of stainless-steel table flatware have increased rapidly following trade-agreement concessions;

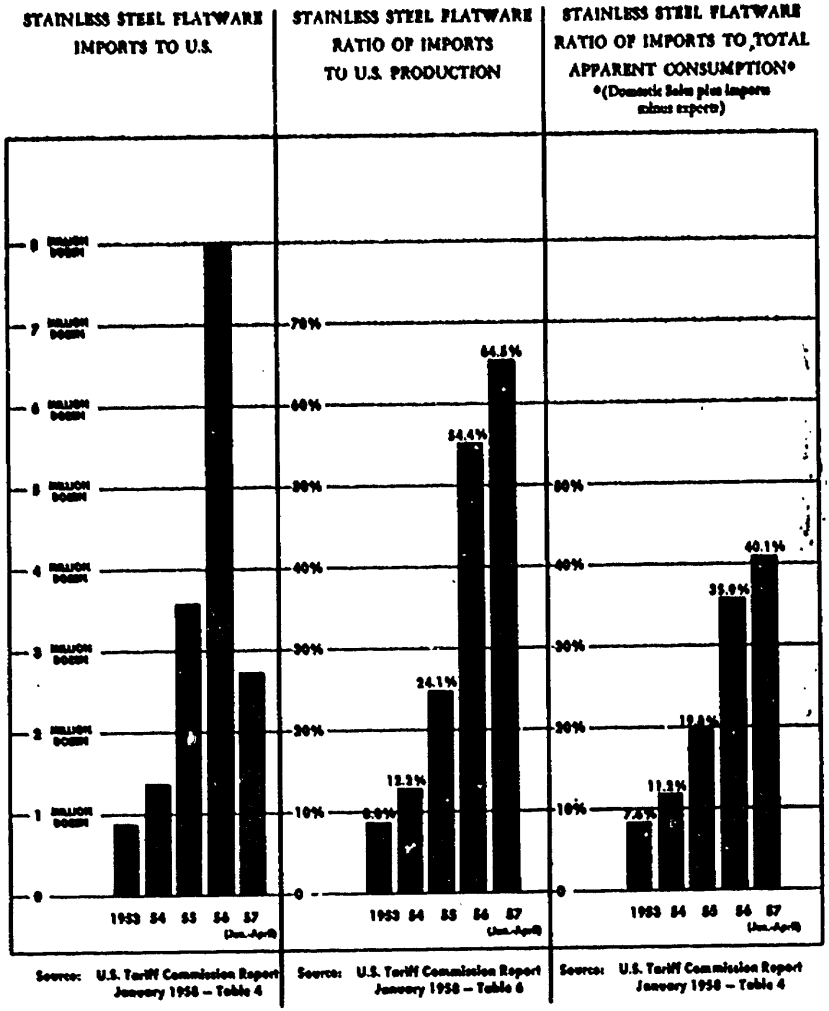
that the domestic industry has increased the efficiency of its operations, as evidenced by increased labor productivity, and it was able to reduce its operating losses between 1953 and 1956, notwithstanding substantial increases in the prices of stainless steel and wage rates;

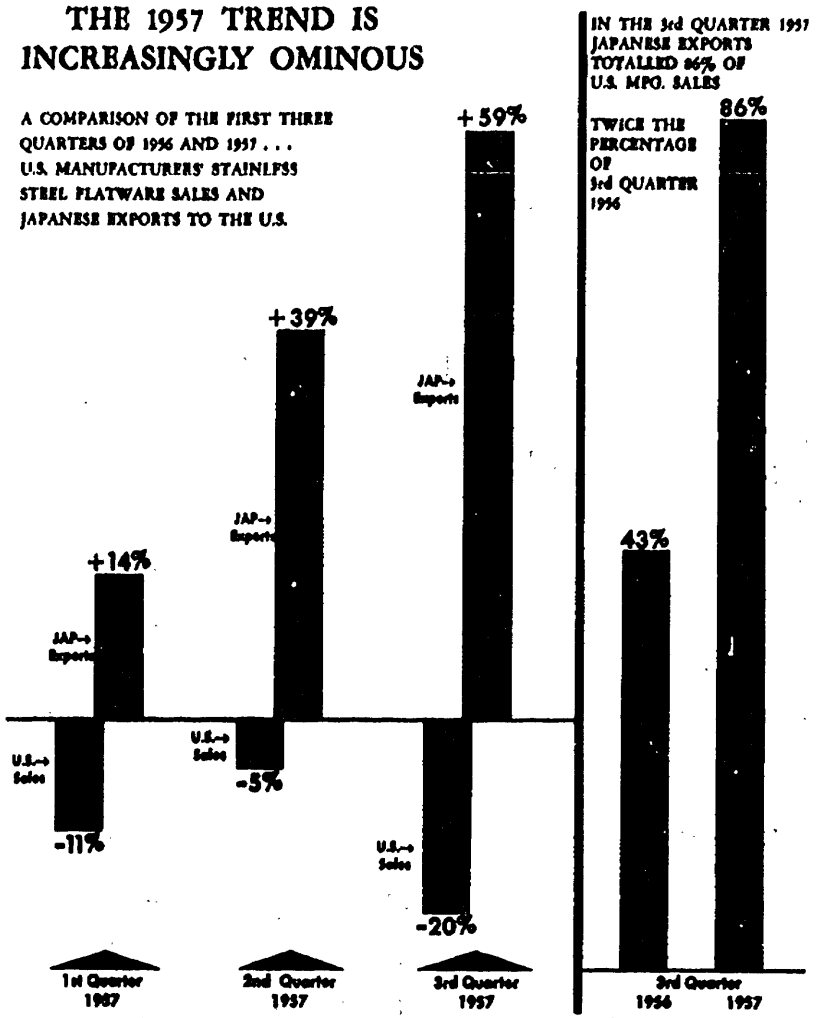
more labor is expended per unit of value of stainless-steel table flatware than on other products, including silver-plated and sterling-silver articles;

that, in the face of the competitive advantage possessed by foreign producers because of their lower wage rates, United States manufacturers have been unable to turn their operating losses into profits, and in the first part of 1957 they suffered sharply increased operating losses due primarily to the greatly increased imports from Japan;

at least a part of the substantial increase in total sales (or consumption) of stainless-steel table flatware in the United States in the postwar period has been at the expense of sales of other types of table flatware" (silver plate, sterling silver)."

4 YEARS UNDER GATT





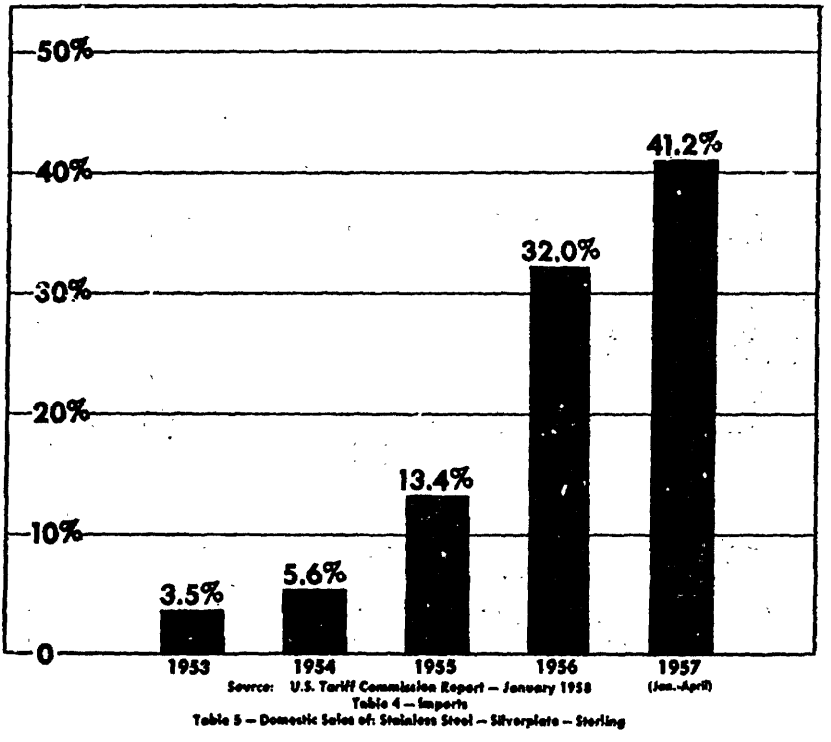
SOURCE: Japanese Exports – Ministry of Finance Japanese Government. U.S. Sales – Reports to Stainless Steel Flatware Association by 11 Domestic Producers. (84% Industry, Tariff Commission Report January 1958)

NOTE: Exports not reported by any European country. Actual import statistics from any country not available as not reported separately by U.S. Bureau of Census.

UNLESS LIMITED BY QUOTA IMPORTS OF STAINLESS STEEL FLATWARE WILL DESTROY THE ENTIRE U.S. FLATWARE INDUSTRY

RATIO OF IMPORTS OF STAINLESS STEEL FLATWARE TO U.S. STAINLESS STEEL MANUFACTURERS COMBINED SALES OF FLATWARE MADE OF

STAINLESS STEEL
SILVER PLATE
STERLING SILVER

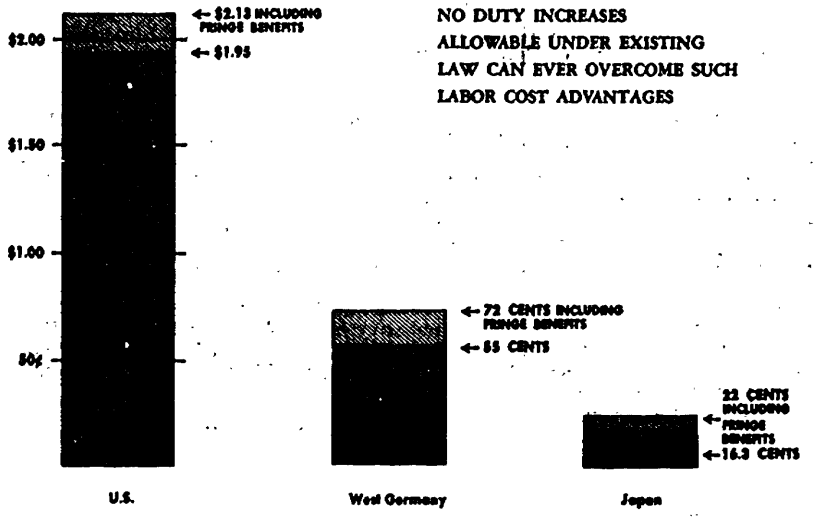


Source: U.S. Tariff Commission Report — January 1958
Table 4 — Imports
Table 5 — Domestic Sales of: Stainless Steel — Silverplate — Sterling

U.S. MANUFACTURERS CANNOT OVERCOME THE COMPETITIVE ADVANTAGE OF FOREIGN PRODUCERS BECAUSE OF THEIR LOWER WAGE RATES

AVERAGE WAGE RATES PER MAN HOUR U.S. vs FOREIGN

(STAINLESS STEEL WORKERS)



NO DUTY INCREASES ALLOWABLE UNDER EXISTING LAW CAN EVER OVERCOME SUCH LABOR COST ADVANTAGES

SOURCE – TARIFF COMMISSION REPORT 1958 PAGES 27-28

SOURCE – DIV. OF FOREIGN LABOR CONDITIONS, BUREAU OF LABOR STATISTICS, U.S. DEPT. OF LABOR 1/22/58

SOURCE – DISPATCH BY EDWARD M. SKAGEN LABOR ATTACHE, AMERICAN EMBASSY, TOKYO 5/29/57 AVERAGE SKILLED WORKER $33. PER MO. APPRENTICES $8. TO $10. PER MO. (33% OF WORKERS) FRINGE BENEFITS 35% OF WAGES

EXHIBIT B

THE INTERNATIONAL SILVER CO.,
Meriden, Conn., March 14, 1958.

Hon. PRESCOTT BUSH,
Senate Office Building, Washington, D. C.

DEAR SENATOR BUSH: A rumor appears to be circulating in Congress that the United States stainless-steel flatware industry did right well when the executive branch accepted for it, and by executive order imposed upon it, a voluntary Japanese quota limiting exports of Japanese stainless flatware to the United States to 5,500,000 dozens in the year 1958. Because 5,500,000 dozens is roughly half the total of estimated imports of Japanese stainless flatware in 1957, whoever planted the rumor hopes you will feel the injury being done the United States industry has been greatly alleviated.

That is completely contrary to the facts.

The President's decision actually did this:

1. It gave the Japanese alone, 25 percent of the present total United States market for stainless-steel flatware, instead of the 10 percent for all imports which the United States industry recommended.

2. It provided no safeguard against a declining United States market due to general economic conditions. Thus the Japanese share of the market may actually exceed 25 percent, while the United States manufacturers' share reduces still further.

3. It made no provision for revoking a still further reduction in duty on spoons, effective June 30, 1958, under previous negotiations under GATT.

4. It left European producers free to make greater inroads into the United States market, thereby causing further losses to the United States flatware industry.

5. Most important: In essence, it permitted a group of Japanese manufacturers, aided by the Japanese Government, to decide the fate of a United States industry.

Let me make very clear, the United States stainless-flatware industry had no part in the acceptance of the so-called voluntary quota from Japan. On the contrary, it clearly stated to United States Government officials that, if the case was to be decided on the basis of a Japanese voluntary quota, then such quota must be imposed on the United States industry, rather than accepted by it.

If it had been legally possible for the United States industry to negotiate with the Japanese, you can be very certain it would never have settled for a quota anywhere near 5,500,000 dozens. We know serious injury to our industry starts the minute imports absorb more than 10 percent of the United States market.

Our constant hope, although now proved a vain one, was the President would recognize the extent of injury this industry has suffered, and impose a United States Government global quota, if not at 10 percent of the United States market, then something much more closely approaching it than 25 percent.

With kindest regards.

Cordially yours,

RALPH BERTINI, *Executive Assistant.*

EXHIBIT C

Unless restricted, imports of Japanese stainless-steel flatware will exceed United States manufacturers' stainless-flatware sales in 1958.

	United States manufacturers' sales [1] (dozens)	Japanese imports [2] (dozens)	Ratio Japanese imports to United States (sales)
1953	8,856,678	754,738	9
1954	9,465,921	1,101,149	12
1955	13,193,302	3,134,193	24
1956	12,626,605	7,460,558	59
1957	11,073,842	[3] 10,703,700	97

[1] Reports to Stainless Steel Flatware Association by 12 domestic producers (85 percent industry Tariff Commission report January 1958).
[2] 1953-56 U. S. Tariff Commission report, January 1958. 1957 estimate see below.
[3] As stainless steel flatware imports are not separately reported by U. S. Bureau of Census, 1957 imports must be estimated. The Tariff Commission determined that actual imports of Japanese stainless flatware were 27 percent greater than quantity reported by Japanese Ministry of Finance in 1956. This same ratio was used to estimate probable actual imports of Japanese stainless steel flatware in 1957.

Tariff Commission determined actual imports of Japanese stainless steel flatware greatly in excess of Japanese Ministry of Finance reports of exports to United States.

	Ministry of Finance (dozens)	Tariff Commission (dozens)	Ratio of actual above Japanese
1953	421,476	754,738	+80
1954	711,767	1,101,149	+55
1955	2,618,403	3,134,193	+20
1956	5,922,226	7,460,558	+26
4 years, 1953-56	9,673,869	12,450,638	+29
1957	8,495,000	[1] 10,703,700	

[1] As stainless steel flatware imports are not separately reported by U. S. Bureau of Census, 1957 imports must be estimated. The Tariff Commission determined that actual imports of Japanese stainless flatware were 26 percent greater than quantity reported by Japanese Ministry of Finance in 1956. This same ratio was used to estimate probable actual imports of Japanese stainless steel flatware in 1957.
Compiled by United States Manufacturers of stainless steel flatware, silver-plated flatware, and sterling silver flatware, Feb. 12, 1958.

(Whereupon, at 4:20 p. m., the committee was recessed to reconvene at 10 a. m., Monday, June 30, 1958.)

TRADE AGREEMENTS ACT EXTENSION

MONDAY, JUNE 30, 1958

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

The committee met, pursuant to recess, at 10:00 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, Kerr, Frear, Douglas, Martin, Williams, Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

Senator ANDERSON. The committee will be in order.

Before we take the other witnesses, Senator Carlson has a statement that he wishes to put in the record.

Senator CARLSON. Mr. Chairman, I wish to introduce Mr. Gordon P. Boles, who is director of the export program for the Millers' National Federation. It is necessary that Mr. Boles leave for another meeting and I ask that he may be permitted to file his statement.

The reciprocal trade agreements program and our foreign program, generally, are most important to the wheat producers and the flour-milling industry of this Nation. Mr. Boles will discuss this in detail.

For some years I have been interested in expanding the exports of flour, based on what I call a truly reciprocal trade program. For instance, we have several countries in the Caribbean area from which we import sugar and they in turn have been taking milled products from the United States. This has worked to the advantage of both the foreign country and our own domestic economy.

During recent months, barriers against the importation of flour are threatening this fine relationship we have enjoyed. This is particularly true with Haiti and Cuba. In Haiti, for instance, the duty on imported flour has increased 2½ times, from $5.46 to $13.65 on a 200-pound bag, making it among the highest, if not the highest, in the world. Obviously, no exporting miller could compete with local operations under these circumstances.

I mention this particular instance because Haiti is one of the countries where we have enjoyed a very fine trade of sugar imports and flour exports.

Mr. Boles will discuss the importance of flour milling and foreign markets for flour in his appearance before us.

STATEMENT OF GORDON P. BOALS, DIRECTOR OF EXPORT PROGRAMS, MILLERS' NATIONAL FEDERATION

Mr. BOALS. The chairman and members of the committee, the Millers' National Federation welcomes this opportunity to record its position in support of 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.

The federation is the national trade association of the wheat flour milling industry of the United States. Its members account for approximately 85 percent of the flour produced in the United States and almost 100 percent of the flour exported from this country. There are flour mills in 30 of the 48 States and in the District of Columbia which in 1957 processed around 550 million bushels of wheat.

The federation has had a long and consistent record in support of the reciprocal trade-agreements program. Its continuing support is based primarily on its belief that a high level of foreign trade is in the national interest of the United States and that the trade-agreements program helps to maintain and expand United States foreign trade.

It is also based on much practical experience in developing foreign markets and with the many difficult problems associated with trade restrictions and import controls throughout the world with which the federation and its members doing export business are frequently confronted.

In this connection, it may be useful to point out that wheat flour has been exported regularly from the United States for over 100 years so that it may truly be regarded as a traditional export based on economic advantage. It is also one of the few commodities that is shipped regularly each month to an unusually large number of foreign markets.

Some wheat flour is exported monthly to around 90 to 100 countries or island areas in the free world. Thus from the standpoint of the long historical period of export, the frequency of shipments, and the large number of countries involved, wheat flour provides an unusual example of a United States commodity that has been and continues to be on the frontline in facing all types and descriptions of trade problems and restrictions and in the day to day operations of the trade-agreements program.

Based on this experience, the federation would like to make the following specific observations and recommendations regarding H. R. 12591. It will be noted that they are directed to two aspects about the trade-agreements program that our industry believes should receive special attention at this time. The first relates to the need for renewal for a 5-year period while the second emphasizes the need for a more coordinated United States economic policy regarding foreign trade.

1. Need for renewal for a 5-year period.

The federation favors the 5-year extension of the act. This is an important and necessary feature in order to accomplish the constructive objectives of the program.

We have noted repeatedly the difficulties of trade negotiations, particularly on a multilateral basis, when the act has been renewed for a limited period.

With the limited negotiating authority for tariff rates as provided under the bill, the longer effective period of the act appears even more necessary. Our experience with the 1955 act, for example, which provided for a maximum negotiating authority of 15 percent during the 3-year period of the act (of which 5 percent per year was permissive), was that relatively few significant concessions could be obtained by the United States. Other countries were not interested in granting many significant concessions if the maximum United States concession amounted to 10 or 15 percent.

The federation submitted requests for many country adjustments in trade restrictions in regard to wheat flour. We believe that they were practical and constructive but the results of the 1956 GATT negotiations in Geneva were certainly disappointing in this regard. The 5-year extension would permit the possibility of making some further progress in negotiating with foreign countries about many of our existing trade restrictions and barriers.

There are continually new problems and country situations also arising that are not covered by existing trade agreements. Without the possibility of supplemental or new negotiations, as would be permissive under the extension of the act, there is presently no way in which the United States can effectively deal with such trade problems.

While the United States has trade agreements with most of the larger trading countries, there are numerous smaller countries not covered by the program at the present time.

Many of these areas are presently or potentially important markets for wheat flour and many other United States surplus products but without a trade agreement or their membership in GATT, it is very difficult to deal with the trade problems that arise.

A case in point is the new British federation that is being formed in the Caribbean area. This Commonwealth federation includes about a dozen islands of which Jamaica and Trinidad are significant markets. They also are important sources for many noncompetitive imports as well as a growing tourist area. The island federation government is now getting organized and will be considering tariff rates for import commodities as well as trade-policy matters during the period ahead.

It would be most unfortunate in our opinion if the United States were denied the opportunity of establishing its trade on a sound basis with this new federation area which lies almost at our doorstep. Without an extension of the act and negotiating authority, there would appear to be no possibility of dealing with new trade problems of this kind.

Another example is the developing Common Market area in Europe. Almost constant attention will be required during the next several years in order that United States trade with the area may be handled on a practical basis.

While trade agreements exist with all of the individual countries, there will need to be supplemental negotiations in order to take ac-

count of changes that are likely to develop in connection with the tariff adjustments called for in the Common Market. Without an extension of the Trade Agreements Act and adequate negotiating authority, the United States will have its hands tied in dealing effectively with this new type of problem.

Similar Common Market or special trade-area proposals are being suggested for many other regions of the world. Also, a number of important countries which are markets for United States products, from which we obtain many import items, are requesting changes in existing tariff rates, exchange controls, and other features affecting the foreign trade of the country.

Likewise, the United States frequently finds itself in a position of modifying or wishing to change some of its previous tariff rates established under earlier agreements.

While limited adjustments are possible under existing authority, we are informed that it is not possible to deal adequately with the many new adjustments without an extension of the act and additional negotiating authority.

2. Need for a more coordinated economic policy regarding foreign trade.

Scarcely a day or week passes without one or more new trade restriction problems for wheat flour arising in some foreign market. Similar trade problems are also developing on many other United States export products. In some cases unilateral action in raising duties occurs; in others it may involve the imposition of licenses or quotas, often discriminating against the United States; elsewhere foreign-exchange controls are instituted to restrict imports, or special taxes and charges are added to tariff duties.

Numerous other methods are noted that affect trade, such as bilateral or barter types of trade agreements, artificial exchange rates, special pricing, or subsidy arrangements, and so forth.

One of the newest forms of restriction that appears to be on the increase is associated with so-called economic developing projects in many countries. Capital investment is obtained from United States Government or international agencies or private sources for new industries and then prohibitive barriers or other restrictions to imports are imposed to hurt United States exports especially when such projects are uneconomic for the country.

Such restrictions are being imposed in many cases even on trade agreements items for which the United States has already granted concessions to the other country so that not only has the value of the original concession been lost but further exports of the commodity to that country are prevented or greatly restricted.

Perhaps a specific example or two will help illustrate this serious and growing type of trade problem. The United States has been the major supplier of flour for decades to most of the islands of the Caribbean. It has been part of a mutual form of two-way trade with sugar, coffee, or other items being imported, often on the same boats on which the flour was shipped.

Flour, because of its regular and frequent movement, has done much to promote mutually advantageous two-way trade by encouraging better shipping service especially with additional ports of call.

During the past year new flour mills have been built in a couple of the islands both of which have requested and received sugar quotas

from the United States. In one case a trade agreement was negotiated a number of years ago in which wheat flour was included among the United States export items in return for which the United States gave special concessions on sugar and other items of that country.

The import of United States flour into that country is now being sharply curtailed by import license and quota controls.

In another case the foreign government has recently taken unilateral action without any consultation with the United States to increase the duty on wheat flour by 250 percent. The existing duty of around 50 percent is already a very high one and must be paid by all of the poor consumers of bread in the country.

The new duty, of course, represents a virtual embargo by means of a prohibitive duty. At the time the duty action was being taken it is of interest to note that a special mission from the country was in the United States asking for financial assistance.

When the Sugar Act is again considered by the Finance Committee, it is quite likely that a larger quota will be requested by the country even though its recent action against the United States would seem to have removed any basis for reciprocity of trade relations between the two countries.

No action reportedly could be taken in regard to the establishment of the new prohibitive import duty on wheat flour because technically flour is not listed as a trade agreement item for that country.

Should further trade agreement negotiations with that country include flour and the duty were to be reduced at the United States permissive rate of 5 percent per year, it would require the next 50 years to undo the increase imposed unilaterally on one day.

It appears obvious that notwithstanding the constructive work being done under the trade agreements program in negotiating new agreements and reducing many existing trade restrictions, there is a big need for more attention to discouraging the imposition of new trade barriers wherever possible.

Otherwise, the program resembles a mountain climber who slips back a half step or more for each step he takes forward.

For many countries, in fact, it is now evident that some United States programs, especially involving aid or financial assistance, are resulting in increased restrictions against United States exports.

While it is recognized that the many acts passed by the Congress in recent years relating to foreign trade and economic matters have been for specific purposes and the responsibility for administering them is scattered among numerous agencies in various departments of Government, it would seem doubtful that the Congress would have intended that one act should increase the problems being handled under another act.

If this situation is allowed to continue for any length of time, considerable damage is likely to result to United States exports which the trade agreements program can never resolve satisfactorily.

We believe that a more coordinated economic policy regarding foreign trade can be handled effectively by administrative action and without amendment to the act at this time if the record is made clear that such coordination should take place.

The present anomalous situation of United States exports being severely restricted in many countries by various forms of import controls or other measures, while special requests for aid and assistance

as well as access to the United States market are being made and granted by the United States should be subject to careful review.

There is no other important trading country in the world that operates its foreign trade and foreign economic activities on as unrelated as basis as the United States at the present time. It is believed that much of the criticism of the trade agreements program could be overcome and effective safeguards provided if the United States were to operate the program on a broader and more coordinated basis.

In concluding its statement in support of H. R. 12591 the federation believes that if the act is extended for 5 years which will permit a real effort to be made under the program to reduce existing barriers and a more coordinated economic policy is developed regarding foreign trade aimed at preventing new barriers from being established, United States foreign trade and the national welfare will make real progress in the years ahead.

Senator ANDERSON. The next witness is Mr. Dan Daniel, of the American Cotton Manufacturers Institute, Inc.

STATEMENT OF DAN DANIEL, THE AMERICAN COTTON MANUFACTURERS INSTITUTE, INC.; ACCOMPANIED BY R. HOUSTON JEWELL, VICE PRESIDENT OF CRYSTAL SPRINGS BLEACHERY OF CHICHAMAUGA, GA., AND BUFORD BRANDIS, CHIEF ECONOMIST FOR AMERICAN COTTON MANUFACTURERS INSTITUTE, INC.

Mr. DANIEL. Thank you, Senator Anderson.

Senator Anderson and gentlemen of the committee, my name is Dan Daniel, assistant to the President of Dan River Mills, Inc., of Danville, Va.

I appear here today in the absence of Mr. W. J. Ervin, the scheduled witness, who is out of the country.

Mr. Ervin is president of Dan River and is chairman of the foreign trade committee of the American Cotton Manufacturers Institute.

Seated with me this morning is Mr. R. Houston Jewell, vice president of Crystal Springs Bleachery of Chickamauga, Ga., who is vice chairman of the ACMI's foreign trade committee.

Also appearing with me this morning is Dr. Buford Brandis, chief economist for ACMI.

The American Cotton Manufacturers Institute represents the great bulk of those segments of the textile industry of the United States processing cotton, man-made fibers and silk.

Geographically, our hundreds of member companies are concentrated in the great textile-producing arc swinging from Maine through Texas.

The textile mill products industry currently employs a million people. Our friends and customers in the related garment industry, who convert our product to wearing apparel, employ another million and a quarter people.

Our member mills together constitute the largest single customer of the United States cotton farmer.

Our industry is one of the largest customers of the United States chemical manufacturers. We purchase about $2 billion worth of materials annually from the chemical industry, of which about three-quarters represents man-made fibers.

Clearly the textile industry is a major factor in the economic activity of the United States economy.

Let us make clear at the outset that the textile industry favors mutually advantageous, truly reciprocal trade among nations. Therein lies our basic opposition to the program before this committee. A large number of well-intentioned and fine American citizens really believe that the so-called reciprocal trade agreements are actually reciprocal.

Nothing could be further from the truth. There is little, if any, reciprocity to be found in the administration of our present trade-agreements program.

The textile industry does not stand for "protectionism" in the sordid sense of its current usage. The textile industry does not stand for isolationism. We want to see a healthy foreign trade and we want to enjoy the friendship of other nations. We sincerely believe, however, that this trade and this friendship can be had on a fair basis.

If a foreign manufacturer can make something better and sell it in the United States on the basis of quality, he is entitled to do so.

If a foreign manufacturer is more efficient and can sell his product cheaper in the United States because of this efficiency, he is entitled to do so.

If, however, a highly competitive American industry loses its own market to a foreign competitor solely because the foreign competitor has the advantage of cheap raw material and cheap labor, we do not believe that there is any degree of fairness to the domestic industry when it is hamstrung by regulatory decree.

We believe a comprehensive reappraisal of our foreign trade policies is long overdue. Since 1934, the statutes relating to United States participation in trade agreements literally have amended the original Cordell Hull concept of reciprocal trade out of existence. That concept had as its prime purpose the stimulation of United States export trade on the basis of bilateral pacts with other nations.

In fact, it is our observation that after a quarter century of the trade agreements program, export markets for United States textiles and other goods are constantly being restricted by overseas government action.

This alone is a matter of great concern to us.

In a "free enterprise economy," the textile industry exists today as a virtual pawn of government manipulation.

Senator ANDERSON. We have a rule that we will let you finish your statement. I hope I am not breaking that rule too badly, but I do not understand your phrase.

You say the "goods are constantly being restricted by overseas government action."

You mean our Government acting overseas or the actions of foreign governments overseas?

Mr. DANIEL. We mean overseas government action, but actually it could be said of both, I think.

Senator ANDERSON. I see; I am sorry.

Mr. DANIEL. That is all right, sir.

In a free enterprise economy, the textile industry exists today as a virtual pawn of government manipulation. Our wage rates are

established by legislative and executive determinations. Our primary foreign competitor pays his employees only one-tenth of our scale. Others pay even less. He produces his goods under terms and conditions which are barred by statute in the United States.

His utilization of modern machinery, some of it provided by our Government with our tax money, is equally as efficient as ours. His modern management techniques are equal to ours because we have supplied the technical know-how. These factors being equal, now comes the most telling blow of all.

Our Government buys raw cotton at a Government-fixed and subsidized price from the American farmer and sells it in turn to foreign mills at a price 20 percent below that paid by the American mill. Our Government says we should compete.

In all fairness, gentlemen, we ask, "How?"

In an effort to be practical and realistic, we make the following several proposals with reference to H. R. 12591:

1. A 2-year limit of its authority.

2. Tariff reduction by 5 percent per year, nonaccumulative and not applicable to any article on which a reduction has been made since January 1, 1955.

3. A change in the terms of the present escape-clause procedures whereby a finding of injury on the part of the Tariff Commission would be deemed final——

Senator ANDERSON. May I stop you again?

Mr. DANIEL. Yes, sir.

Senator ANDERSON. As you know, this is a point very dear to my heart.

We have a big argument now with the antidumping bill because of it.

Would you in the course of your later presentation, or at some future time, supply me with some information as to what other countries do about a finding of injury on the part of the Tariff Commission being deemed final?

Mr. DANIEL. Yes.

Senator ANDERSON. I ask that, because you will find in the testimony a day or two ago, when Secretary Dulles was testifying, I pointed out to him that Under Secretary Dillon had said if we wrote into the antidumping bill the fact that if the Tariff Commission did not act within 90 days this inaction should be presumed an affirmative finding; and he thought that was extremely severe treatment and horribly bad. I thought, well, if Canada by the mere finding of dumping can determine there is injury, that is infinitely worse. Why is it all right for Canada, under that law of 1947 to do one thing, and other countries to do the same thing and this country not be able to do it?

I apologize to the other Senators for interrupting here, but since this is the point of controversy in the conference now going on, on H. R. 6006, I just happen to ask this morning for information on this point. Any information you can give me I would be very happy to have, because the amendment which I introduced in an effort to help the potash industry was originally the rayon industry's amendment. I think it is doctored down now to where it is so mild that even its authors feel it is something ineffective and yet it seems to be a complete stumbling block. It may turn out to be more of a

stumbling block to reciprocal trade than contemplated, because if we cannot really get anything done we are in frightful shape.

Mr. DANIEL. Well, Dr. Brandis has some information on that which I am sure he will be glad to supply you now or at a later date.

Senator ANDERSON. I am trying to keep to the rule. I will get it at the end of your presentation, but I did not want to omit it and suddenly take you by surprise.

Thank you.

Mr. DANIEL. Thank you, sir.

Fourth, the establishment of practical and workable criteria for the determination of peril points.

In the case of the third proposal we feel that there have been entirely too many instances where the President has superimposed his judgment on that of a congerssional agency vested with statistical facts and authority to find injury. We submit that any extension of this act should declare the intent of the Congress that any finding of injury or threat of serious injury on the part of the Tariff Commission, except as noted, shall be deemed final.

We recognize that in the interest of national security there may be extenuating circumstances in some instances which may very well entail the recognition of other factors. In such cases then let the President state those other considerations and so advise the Congress.

If a determination of injury is to be made by a fact finding body then let that body have the facts before they make such determination. There seems little justification for an agency spending 9 months in finding injury to domestic industry and then have the President say "But you did not have all the facts, and therefore I find your determination in error."

We consider an escape clause amendment to be one of the two real major changes that should be made in the act by this committee.

The other is the establishment of peril-point criteria and this is the area to which we shall address the balance of our testimony.

Experience has proved that one of the most serious deficiencies of trade agreements legislation is the inadequacy of its peril-point provisions. These provisions specify no criteria whatever for use in the determination of "peril points."

The statutory language directs only an "investigation," without indicating either its nature or scope. There are no requirements relating to the factual basis of such an investigation, or to the pattern of analysis which it should follow.

Under the law, there is no way of knowing how a particular peril point is arrived at, or what considerations of fact or policy is may embrace.

Yet these undefined and mystical peril points are burdened with a purpose which is essential to the successful operation of any trade agreement.

Regardless of how they may be constructed, their legal purpose is to mark the limit to which modifications of duties may be extended—

without causing or threatening serious injury to the domestic industry producing like or directly competitive articles * * *.

The present act attributes to peril points the further purpose of indicating when—

increases in duties or additional import restrictions are required to avoid serious injury to the domestic industry * * *

and what the increases should be.

In either case, the peril points can serve their purpose only in the initial stages of a trade negotiation. That is the time when the forces of good or of evil are unleashed.

A mistake made then may lead to costly and possibly irreparable injury. Yet, we have as our standards of reference and our guide posts, a set of peril points manufactured without even a semblance of statutory prescription.

A condition of sharp contrast exists with respect to the language governing the disposition of escape clause cases. There, great care and reasonable exactness have been exercised to define the scope of the Tariff Commission's investigation and to supply, very specifically, the criteria on which the Commission's findings shall be based.

The Commission is required, without excluding other factors, to take into consideration production, employment, prices, profits, wages, sales, increased imports (actual or relative), inventory, or a decline in the proportion of the domestic market supplied by domestic producers. Not one of these considerations has a counterpart in the peril-point provisions of the act.

We regard the escape clause provisions of the act as essential, because they make possible the correction of injury brought about by economic change or unpredictable developments.

At the same time, we consider it to be extremely unfortunate and highly damaging to our economy, as well as to our trade relationships, that escape-clause actions should have to be relied upon to correct injuries due to avoidable errors of judgment and procedure at the peril-point level.

Higher standards of accuracy in peril-point administration would not only avert much needless injury to domestic industry, but would also serve to establish a firm set of practical considerations. These guideposts, such as comparative costs, prices, production, employment, the ratios of supply and demand, the factors of growth, have to do with the realities of trade.

Yet the Trade Agreements Act relegates them to escape-clause action which is our secondary line of defense.

They should be brought up to the front line where they can be used affirmatively as elements of a positive and overall policy which has for its objective a sound and mutually beneficial trade, instead of the pursuit of political doctrine.

Since peril-point determinations precede negotiations and do not involve any contractual obligation with a foreign country, they are exclusively a matter of domestic responsibility, a fact which does not, of course, preclude the use of foreign sources of information. At this level, the finding of economic truth can lead to no trouble.

The way of the escape-clause route, on the other hand, as the only effective way of safeguarding American industry from injurious foreign competition, is an arduous, poorly charted and somewhat dangerous road to travel. It is clearly for emergency use only.

One of the foremost issues in trade agreements legislation is the question of Presidential authority in the disposition of Tariff Com-

mission findings and recommendations. It is an issue which is not likely to be resolved, one way or the other, by direct action, and we do not refer to it at this point with that idea in mind.

However, it is very pertinent to the major substance of our testimony to point out that Presidential intervention in trade cases is almost always a consequence of errors made in trade-agreement negotiations.

Had the original concessions been made on the basis of considerations more fitted to their purpose, there would have been no ensuing string of calamities to find their way to the President's lap.

A concession which is sound in the beginning is not likely at a later date to become a vehicle of serious injury, except under conditions of radical economic change.

If it is unsound, it becomes a festering sore and, as it seeks remedial treatment, it draws into itself many corollary evils, as we have explained. By the time it reaches the White House area for final adjudication, it is entangled in a web of international interests and commitments and counter adjustments extending throughout our trade structure. Thus, the President in his final decision, rightly or wrongly, is pressured into taking account of considerations which are not within the intent or provisions of the Trade Agreements Act.

A major objective, therefore, in the revision of the act should be an enlightened revision of its peril-point provisions by the incorporation of definite and comprehensive criteria, and of realistic and effective procedures.

Thank you.

Senator ANDERSON. Senator Williams.

Senator WILLIAMS. No questions.

Senator ANDERSON. Senator Carlson?

Senator CARLSON. Mr. Daniel, just this: I can assure you that every member of the committee is advised of the difficulties of the textile industry because of our distinguished chairman, the very able Senator from Virginia, Mr. Byrd, who has continually called it to our attention, and a former chairman, the late Senator George of Georgia, was always reminding us, so therefore, I am not only familiar with it, I am concerned with some of the problems of the textile industry.

You do, however, have a very substantial export trade.

Is that not correct?

Mr. DANIEL. Well, we had at one time, I would say, Senator, a substantial export trade, but that export trade is slowly diminishing. For example, in 1947, 15 percent of our production went to foreign markets.

Today that has been reduced to about 5 percent.

So it is a trend, actually, sir, that we are worried about or one of the major things we are worried about.

Senator CARLSON. The figures I have here show in 1953 you had exports of $272 million, and in 1957 they were $253 million; the figures that have been furnished me by the Department of Commerce, which is, after all, a substantial export trade.

Now when you come to the import picture which is also the figures I have here, the imports of cotton manufactures doubled from $73 million in 1953, to $154 million in 1956, and amounted to $136 million

last year. In other words there was a reduction of $18 million over 1956.

I want to ask you this question: If Japan did not on its own initiative make some revisions in the imports they were making to this country.

Mr. DANIEL. I would like, Mr. Anderson, if I may, sir, to have Mr. Jewell comment on that question.

Senator ANDERSON. Surely. Mr. Jewell?

Mr. JEWELL. Senator, Japan did make a voluntary agreement to limit imports into this country, and the agreement was that there would be no more than 235 million yards coming into this country either in the form of piece goods or cotton products.

This figure contrasted with about 50 million in the preceding year or two which meant that it was increased greatly, but it did put a limit on the number of yards that Japan might send in, and I might say that they have kept that agreement.

Senator CARLSON. Did I understand you to say they had been keeping that agreement?

Mr. JEWELL. Yes, sir.

Senator CARLSON. That is all, Mr. Chairman.

Thank you.

Senator ANDERSON. Senator Bennett?

Senator BENNETT. No questions.

Senator ANDERSON. You started off by recommending first, a 2-year limit to this authority, a 2-year extension in other words.

Mr. DANIEL. Yes, sir.

Senator ANDERSON. I commend you for that. We have so many people recommend it for 5 years and 3 years and we are glad to get it down to a figure that some of us regard as more probable.

Mr. DANIEL. Senator Anderson, it occurs to us that it is impossible to judge just what our economic condition will be 5 or 10 years from now and actually when we talk about a 5-year extension we are talking about a 10-year extension because agreements negotiated, for example, in the last 2 or 3 months of this program, would actually extend over a 10-year period.

Senator KERR. You mean 5 years from that time?

Mr. DANIEL. That is right; extends 5 years from the date of that negotiation.

Senator ANDERSON. I know the Senator from Oklahoma is interested in your 2-year proposal and I just wanted you to know that I am also.

Mr. DANIEL. Thank you, sir. We think it is realistic.

Senator ANDERSON. Now this third clause is the one on which I want to have some comment. It suggests a change in the terms of the present escape-clause procedures whereby a finding of injury on the part of the Tariff Commission would be deemed final.

The amendment which is now pending on the antidumping bill provides that in case there is a tie, 3 to 3, as sometime happens, that that will be regarded as an affirmative finding. The State Department, I must say does not take strong exception to the first provision.

There is further provision that in case the Tariff Commission does not act within the time that seems to be prescribed by the statute, namely, 90 days, that that failure to act will be regarded as an affirma-

tive finding of injury. That is what seems to be causing trouble and the constant statement is made that no other country is so drastic in it provisions.

Would you regard the Canadian dumping provision, which finds dumping as an injury per se, more necessary for the protection of American industry than the mere fact that we are bound by some other provision?

I brought it up last Saturday when the attendance was limited, and I would be happy to bring it up again.

Mr. BRANDIS. Senator, I would agree in that the provision you have just described is certainly not as drastic a provision as that that exists elsewhere in the world.

As you know, antidumping provisions differ around the world considerably and with your permission I would prefer to file a statement for the record with respect to how other countries handle that problem of injury and dumping.

Senator ANDERSON. I would be happy to have you file it.

Only we get an awful lot of pressure to dispose of this antidumping legislation before we get to this one, and if you can help me by filing it earlier——

Mr. BRANDIS. Yes, sir.

Senator ANDERSON. It would be that much more appreciated.

Mr. BRANDIS. We will do it very promptly.

(The information is as follows:)

THE AMERICAN COTTON MANUFACTURERS INSTITUTE, INC.,
Washington, D. C., July 2, 1958.

Hon. CLINTON P. ANDERSON,
United States Senate,
Senate Office Building, Washington, D. C.

DEAR SENATOR ANDERSON: During the Senate Finance Committee hearing on Monday morning, you asked that I promptly submit any information which I might have concerning the application of the injury provisions of antidumping acts in countries other than the United States.

I have made a preliminary investigation of the subject as a result of which it is my understanding that, with the exception of Canada and possibly Germany, all foreign antidumping acts require a finding of injury by the administrators of the act before the remedial provisions become effective. I also understand that the failure of the administrators in these countries to make any finding whatsoever, or, in other words, mere inaction on their part, is not sufficient to constitute a finding of injury and does not result in the application of the remedial provisions of the act. Of course, this problem does not arise in Canada which does not require a finding of injury; and, in the case of Germany, the operation of the act in this regard is uncertain.

Respectfully yours,

R. BUFORD BRANDIS,
Chief Economist.

Senator ANDERSON. The problem is this one: The troubles of the potash industry attracted me to this dumping problem.

Mr. BRANDIS. Yes, sir.

Senator ANDERSON. There was a long study of it, and then after dumping was found 3 Commissioners thought there was injury and 3 Commissioners thought there was no injury.

Mr. BRANDIS. Yes, sir.

Senator ANDERSON. The simplicity of that determination attracted me a great deal. Because when we got to the lead and zinc case, 3 Commissioners thought there was some damage, 2 thought there was none, and 1 thought there was something else and the decisions

were split all around. But effectively they saw to it there was no relief for lead and zinc.

Mr. BRANDIS. That is right.

Senator ANDERSON. As I tried to point out the other morning in the lead and zinc case——

Mr. BRANDIS. Yes, sir.

Senator ANDERSON. When it came up, the statement was made that there would be some way of dealing with it by legislation.

I do not question the good faith of the President at all in this, but he did submit a bill, through his Secretary of the Interior, for the stabilization of lead and zinc.

Mr. BRANDIS. Yes, sir.

Senator ANDERSON. I said at the time I did not think it had one chance in a million of passing in the shape that it was in. It never even was considered by the committee. If you don't get it considered by the committee it certainly does not have much chance of passage. Subsequently a final readjusted formula was presented to the committee carrying 14¾ cents a pound for lead and 12¾ cents a pound for zinc.

Now the Interior Committee reported the bill out this last week carrying 14½ plus the so-called Allott formula which adds about a quarter of a cent for lead and 13½, plus the Allott formula—I am am sorry, I should have said 14½ cents per pound for lead and 13½ cents per pound for zinc.

Here again we do not know if the bill will pass, or if passed, whether it will be signed into law because the limits have been raised.

The question is does that effectively answer the provision of the law that says the President must act?

If you say "I don't act because bill is pending," there is always a bill pending on every subject under the sun.

Mr. BRANDIS. Yes, sir.

Senator ANDERSON. If you did not act on farm legislation because a bill was pending, you could just as well say if there are not less than a hundred bills pending and still there are always that many to help the farm problem.

So therefore the provision that the bill is pending certainly should not stop action on the Commissioners' recommendations. So therefore we put in the amendment if they did not act within 90 days that was to be regarded as an affirmative finding.

Mr. BRANDIS. I would think it was a very reasonable provision.

Senator ANDERSON. The rayon amendment provision that was submitted was much more drastic than that and as I understand it was pretty well approved by all the rayon industry. I thought it was a very fair amendment or I would not have picked it up and tried to apply it to another industry.

If you would then, Dr. Brandis, when you make your report to us, see what some of these other countries are doing, it would be appreciated by me very much.

Mr. BRANDIS. All right, Senator, we will do that very promptly.

Senator ANDERSON. You know the provision in the law?

Mr. BRANDIS. Yes, sir.

Senator ANDERSON. There is a feeling we cannot change it since we entered into it in 1947. But that surely gives every other country

a tremendous advantage over us and would have a very definite bearing on whether or not the Congress should pass a reciprocal trade act.

Mr. BRANDIS. Yes, sir.

Senator ANDERSON. If we cannot stop dumping because we committed ourselves to something that nobody else committed themselves to, then we are in bad shape.

Mr. BRANDIS. It hardly seems to be reciprocal, does it?

Senator ANDERSON. That is why I enjoyed the very beginning of this presentation, where you said that a large number of well-intentioned and fine American citizens really believe the so-called reciprocal trade agreement program is actually reciprocal.

Nothing could be further from the truth. There is very little or any reciprocity in the administration of our trade-agreements program. That has been my objection to it.

Theoretically, reciprocity is fine. It can never actually be applied, apparently, when the time comes. It cannot be in potash; it cannot be in rayon. It can't be in lead; it can't be in zinc. I think we did find it in oystershells or something.

Mr. BRANDIS. Senator, those of us who have had some experience with that aspect of the law would certainly agree with you that there is nothing more frustrating than to try to obtain reciprocity under the kind of administration it has had in recent years.

Senator ANDERSON. Well, the law does not exactly—I read it very carefully the other day.

Mr. BRANDIS. Yes, sir.

Senator ANDERSON. The law does not absolutely say that a commission must find in 90 days.

Mr. BRANDIS. No, sir.

Senator ANDERSON. I don't know how else you could read it and come to any other conclusion, but it does not get right down to say you act or else.

Mr. BRANDIS. Yes.

Senator ANDERSON. As a result, as Mr. Daniel has pointed out in his testimony, 9 months go by while they try to make up their minds. Then after they have acted at the end of 9 months, they get it kicked back in their teeth and are told, "Well, you did not know anything about it when you acted on it at the end of 9 months."

So I assume it would take really longer to find out anything about it.

Mr. BRANDIS. Yes, sir.

Senator ANDERSON. I think that is the greatest weakness in reciprocal trade; there is no effective remedy in case you get into trouble.

Mr. BRANDIS. Yes, sir.

Mr. DANIEL. That is the point we wanted to make, sir.

Senator ANDERSON. Thank you very much.

Mr. DANIEL. May I read one paragraph that you did not have on your copy in the record, sir?

Senator ANDERSON. Yes; indeed.

Mr. DANIEL. It will just take a minute.

On last Friday, Mr. Chairman, language for several suggested amendments was submitted to this committee by Mr. Hooker, who appeared for the Synthetic Organic Chemical Manufacturers Asso-

ciation. We wholeheartedly endorse and urge the inclusion of that language in the bill to be reported to the Senate.

Senator ANDERSON. When you endorse, you say you are the American Cotton Manufacturers Institute. You said something about a million people in this industry.

How many of them are members of your group? How many of the firms that employ these people are members of the institute?

Mr. DANIEL. About 80 percent.

Senator ANDERSON. Eighty percent?

Mr. DANIEL. Yes, sir.

Senator ANDERSON. So you speak for 80 percent of all of the employment there is in this particular industry?

Mr. DANIEL. Yes, sir; that is right.

Senator ANDERSON. Thank you very much.

Mr. DANIEL. Thank you, Senator, for the privilege of having appeared before you.

Senator ANDERSON. Mr. Bell, it is nice to see you again.

Will you proceed?

STATEMENT OF W. RAY BELL, PRESIDENT, THE ASSOCIATION OF COTTON TEXTILE MERCHANTS OF NEW YORK

Mr. BELL. Thank you, Mr. Chairman. I am W. Ray Bell and as president of the Association of Cotton Textile Merchants of New York greatly appreciate the privilege of appearance before your committee.

Our members are marketing firms and sales agencies which sell and distribute through both domestic and export channels of trade, the great bulk of woven cloth and other textile products made by the cotton mills of this country.

Because our functions are concentrated in the market, we have to face at pointblank range the challenge of foreign competition and attempt to cope with the adverse effects of its stimulation under the successive extensions of the trade agreements legislation.

As this law has been administered during the postwar period and particularly since 1954, we do not believe it has helped to promote the national welfare or that it has served the original purpose of developing truly reciprocal trade among the nations of the world.

On the contrary, it has been used by our Government agencies to widen the margin of price disadvantages for American producers and to stimulate the flow of low-priced imports into our markets. The concept of reciprocity has vanished and in its place has been established a giveaway program of American markets and jobs.

Nowhere is this more apparent than in the fields of textiles and apparel whose production and distribution are of vital importance to the domestic economy of more than half the States of our Union.

In the combined industries over 2 million workers are accustomed to gain their livelihood and many hundreds of communities are primarily dependent on their continued operations. What are we doing to them in the guise of free trade and supposed trade benefits?

As a starter, tariff schedules have been slashed to the bone—to accommodate first one and then another of the dozen or more textile producing nations which covet our markets.

Although peril-point investigations were held prior to each of the GATT negotiations, there is little reason to believe that these hearings gave any weight to industry opinion or judgment. In any event, each GATT session has meant further concessions in the greatly reduced duties, culminating with the broad concessions to Japan which were made effective in September 1955, and those concessions of course were generalized to all the other countries.

Having scrapped this protection for the domestic economy, we next began to sell to all our foreign competitors our Government stocks of raw cotton at a huge discount of 20 to 25 percent below the price which American mills are forced to pay under Government price supports in our quota protected cotton markets. On 1-inch middling cotton the subsidy last month was 6½ cents a pound or roughly $32.50 per bale for the foreign producer.

Beyond this availability of cheap cotton, the United States Government has employed special programs for the purposes of financing raw-cotton exports, through Export-Import Bank loans, the ICA, and Public Law 480.

In the fiscal year ending July 1, 1957, total authorizations were $402 million and for the current fiscal year ending June 30, 1958, may well reach $500 million.

In addition, the ICA has concentrated its purchases of textiles from foreign mills in fiscal 1957 at the ratio of $89 million of foreign textiles to $7 million of American. Over half of the foreign textile purchases, or $56 million, was from Japan. For justification of the meager American share of this business, it is explained that their higher cost took them out of competition with the foreign product.

Beyond these subsidies and special benefits for the foreign mills, their productive operations are exempted from the statutory requirements of American social and labor legislation. In this country sweatshop operations were legislated out of existence many years ago.

Child labor has not been permitted in 30 years and products of prison labor were barred from sale in interstate commerce by Federal statute in the early thirties.

American mills must conform to the Fair Labor Standards Act, Labor-Management Relations Act, antitrust laws, State safety laws and many other Federal and State statutes which are built in, mandatory costs of operations in this country.

Yet for foreign textiles and apparel brought into our markets in direct competition with domestic products no standards of working conditions are required and their operations may violate our standards with impunity. Typical of this wide gap in labor costs is the rate of 15 to 20 cents an hour in Japan, or the 9 to 10 cents an hour in Hong Kong and India, less than in Pakistan, versus an average of $1.40 to $1.50 per hour in the United States.

Under these conditions of bounties and special privileges bestowed by the United States Government on foreign competitors, and the American producer tied to compliance with statutory requirements, it is obvious that there must be equalization through adequate tariffs or quantitative limitations on low-priced foreign imports.

Otherwise, it would be a deliberate choice of crippling one of our basic livelihoods and casting away all pretense of equitable principles in international competition.

Recognising these gross inequities in the long-drawn-out negotiations with Japan during 1956, the administration spokesmen made it clear that—

our foreign trade policy must not wreck our own enterprises or destroy the jobs of American workers.

With this end in view and to balance in some measure the one-sided ground rules, the executive branch worked out arrangements with Japan for a voluntary and selective limitation of textile and apparel exports from that country to the United States for a period of 5 years.

The program was termed as "extraordinary means to provide a ready remedy for the misfortunes of the textile industry that stem from the import problem."

The joint announcement of this program on January 16, 1957, by the Departments of State, Commerce, and Agriculture, stressed the mutual benefits of orderly trade between the two countries and its demonstration of understanding on the part of Japan.

Among the immediate effects of these arrangements were a Presidential veto of Tariff Commission recommendations and I think it was a unanimous recommendation with respect to velveteens and withdrawal of the industry from escape-clause proceedings on ginghams and related fabrics as an understood condition of the overall adjustment with Japan.

The resourcefulness of the administration in concluding the Japanese arrangements without positively acting to correct its prior excessive reductions of tariff, and without itself setting quotas, cannot conceal that this was an extraordinary means of granting relief to an industry quite apart from the provisions of the Trade Agreements Act itself, and that it involved inducing action by Japan rather than a direct move of our own country.

In effect it means that authority to regulate our foreign commerce delegated originally by Congress to the President has in turn been delegated to a foreign country.

Let me emphasize that important point. Congress, in which power to regulate trade is fixed by the Constitution, delegated that power to the President. The President delegated it to the State and Commerce Departments. The State and Commerce Departments delegated it to the Japanese Government. And the Japanese Ministry of Trade and Industry carries on this quota, defines the goods that go into it, polices what it sends here, and if it goes over the quota on any item it apologizes and the injured American industry lacks any real court of appeal.

This delegation of Congress' constitutional powers and obligations to a foreign state is without precedent or lawful basis or real regard for the rights of American citizenship and American business.

While this extra-legal quota system has benefited us to a degree, the negotiated arrangements demonstrate anew the arbitrary nature of the powers vested in our bureaucratic officials through this vital legislation.

From peril-point investigations to escape-clause proceedings, Tariff Commission findings of injury or threat of injury would remain subject to Presidential dismissal, and redress must be found in extraordinary procedures always subject to the vagaries of world politics.

Practically, the temporary relief from intolerable quantities of Japanese imports has been diluted because of largely increased shipments of similar goods from Hong Kong and more recently Formosa.

Soon it may be India, Pakistan, and the Philippines since all of these countries are developing textile industries through our bounty.

And the poison of unconscionably low prices continues to flow in the bloodstream of American commerce.

So long as this legislation continues to dominate our foreign-trade policy and its administration is weighted on the import side, we are fearful of the potential consequences to many American industries and their millions of workers whose jobs depend on the domestic market for their products.

Instead of competing in a free economic system based on American standards of work and living, they must compete with foreign producers, heavily subsidized by our own Government in raw-material costs and exempted from our minimum requirements in productive operations.

Simple justice demands on equalization of these fundamental conditions, either through adequate tariffs or quota limitations applicable to all countries which sell in the United States market.

We believe the Congress should make this a responsibility of the United States Government rather than rely on the sufferance of foreign nations.

If the proposed legislation does not include corrective provisions for the gross inequities, we are convinced that the coming years will see a multiplication of escape-clause proceedings and their adverse influence on friendly international relationships.

Thank you, sir.

Senator ANDERSON. Thank you very much, Mr. Bell.

Senator Kerr?

Senator KERR. I want to congratulate you on a very able statement and an indictment of the administration of this program.

Mr. BELL. It is a sincere one, Senator.

Senator KERR. I believe that, and I think it is an accurate one.

Mr. BELL. Thank you.

Senator KERR. That is all.

Senator ANDERSON. I would be tempted to think it was a sincere one because this Association of Cotton Textile Merchants of New York is an old and fine and well-respected institution.

Mr. BELL. Thank you, Senator.

Senator ANDERSON. When we were dealing with agricultural problems, the association never came in with anything that was not sound and well reasoned, because it took time to study before it came to a point of view.

Senator Williams?

Senator WILLIAMS. No questions.

Senator ANDERSON. Senator Carlson?

Senator CARLSON. Just this, Mr. Bell: I notice you make two suggestions that would be helpful, either an adequate tariff——

Mr. BELL. Yes, sir.

Senator CARLSON. Or a quota limitation or a quantitative limitation on imports.

Mr. BELL. Yes, sir.

Senator CARLSON. Now, I assume it would take a great increase in tariff to protect your industries.

Do you have any ideas of how much of a tariff that would be?

Mr. BELL. Of course there is one real value in the new bill, in that it has a provision by which tariffs can be increased, after escape-clause proceedings, as much as 50 percent, over the tariffs in existence in 1934.

The fundamental difficulty in this provision is that its application is subject to the approval of the executive branch of the Government, and it is very questionable, based on experience, that the administration would put such a high tariff into effect even if it faced a unanimous decision on the part of the Tariff Commission.

Another thing I want to say is that in 1930, the Tariff Commission had made an investigation on bleached goods and related fabrics covering about a year under section 336 of the Tariff Act of 1930, which was geared to comparative costs of production. They did not find the cost of production in Japan but they did take and use the prices, the import value of the goods as the Japanese base, and they recommended an increase which amounted to an average of 43 percent over the 1930 rates, which President Roosevelt and Secretary Hull put into effect immediately.

But that did not have any great effect in limiting the volume of the goods that were coming in at that time. Instead of the value being invoiced at 4 cents a yard, it was just made 3½ cents a yard, so the tariff increase was largely ineffectual.

I don't know whether there can be—in most of these goods, I don't believe there are tariffs that we could reasonably expect to have imposed which would effectively balance the actual difference in costs.

Senator CARLSON. I am glad you mentioned this provision which was in the bill which I hoped would be helpful which would permit the President or executive branch of the Government to raise tariffs up to 50 percent.

Mr. BELL. I am glad it is put in there and I think the reason it was put in was that the executive departments of the Government found in their discussions with the Japanese that under the existing law, there was not specific authority to raise tariffs high enough to compensate for the discrepancies.

Senator CARLSON. Well, I can assure you, Mr. Bell, I think every member of this committee feels keenly the situation we are confronted with and we have legislation before us.

I believe you stated you had some question as to the effect, even of adequate tariffs on this, on the imports of textiles. Did you make that statement just now?

I thought you said you had some concern.

Mr. BELL. Yes, adequate tariffs would be all right.

But whether we could ever get adequate tariffs——

Senator CARLSON. Of course that is the point.

Mr. BELL. You have got to realize also that when you arrange a tariff structure that would be fair and equal with the Oriental competition, it would be so high that the European competition would find it most difficult to get by.

Senator CARLSON. Then your second suggestion was quota limitations and that is the point I want to discuss with you briefly, be-

cause there are other industries in this Nation that would like very much to have quota limitations.

Mr. BELL. Yes, sir.

Senator CARLSON. And once we start, I don't see that we can select one group and not give it to others and that gets to be a problem.

I want to mention it because I come from a section that produces oil.

Mr. BELL. Yes, sir.

Senator CARLSON. And the imports of textiles, based on this commercial statement which I have before me, says that all imports of textiles still rank only between 2 and 3 percent of domestic production.

I would like to remind you that the oil industry, which is also having some problems, it is estimated that in the third quarter of this year, the increase of oil imports, residual oil, crude oil imports, finished and unfinished products will be 70 percent higher than it was in 1957 and it is a hundred percent higher than it was in 1954, so when we begin to talk about quotas, get into this picture, there are other fields too, that will have some—have a very good case for quotas and it is one of the problems confronting this committee, one we are seriously considering.

Mr. BELL. I know it is. I can give you a specific example of one of the immediate problems. In the Japanese program one limitation that the Japanese imposed upon themselves was something like a million, I think it was a million fifty thousand dozen shirts.

They kept within the quota, according to official Japanese statistics by shipping in 1957 only 955,000 dozen shirts. But in the meantime we have shirts coming in from HongKong amounting to around 450,000 dozen from Hong Kong as against about maybe twenty-eight or thirty thousand dozen the previous year. Hong Kong was the largest market for Japanese piece goods in 1957, taking over 150 million square yards of cotton textiles.

Senator CARLSON. Mr. Bell, I assure you as one member of this committee I am sympathetic with your problem and I thank you for your testimony.

Mr. BELL. I just do not see how you can write the textile industry off the map of the United States. It is too much embedded into our whole American economy, with all the textile plants and all the sewing plants, located in over half of the States of the Union. This is probably an understatement, and I imagine it would be three-quarters, where the production and distribution of textiles and apparel is a very vital part of the American economy, and as far as price competition goes, we just cannot do it under the handicaps of Government discrimination against us.

Senator ANDERSON. Did I have these figures right that it was 30,000 dozen from Hong Kong the year previous and it jumped to 500,000?

Mr. BELL. 450,000.

Senator ANDERSON. When you said a million dozen—you said a million dozen from Japan?

Doesn't that suggest to you the only way to get at this is quotas?

Mr. BELL. Yes, quotas imposed by the United States, not by Japan, I don't see how we can go to each of these countries in turn that are

building up their textile industry, as they come up, Hong Kong, and then maybe Formosa, and the Philippines, we have——

Senator KERR. Pakistan?

Mr. BELL. Pakistan. Pakistan used to be a very large importing country, and now they have an exportable surplus of textiles.

Senator ANDERSON. And it will grow instead of diminishing?

Mr. BELL. Unquestionably and of course we are not worried about Red China yet but they are building their textile industries, because they can get profits quickly from them and thus obtain capital funds for increasing their plant facilities for the making of steel and heavy goods industries.

Senator KERR. That is the only nation you have mentioned that is not borrowing money from us to build textile industries?

Mr. BELL. Not borrowing, I think we have given in our foreign aid——

Senator KERR. What we do not give them we assure them is available by loan.

Mr. BELL. To pay in foreign currencies, yes.

Senator ANDERSON. Senator Bennett?

Senator BENNETT. No questions.

Senator ANDERSON. Thank you very much, Mr. Bell.

We appreciate your testimony.

(The following statistical data was submitted for the record by Mr. Bell:)

STATISTICS OF THE UNITED STATES DEPARTMENT OF COMMERCE AS PUBLISHED BY UNITED STATES TARIFF COMMISSION—UNITED STATES IMPORTS FOR CONSUMPTION

Par. 919. Shirts of cotton woven goods—not knit

	1956		1957	
	Quantity	Value	Quantity	Value
	Dozen		Dozen	
From Japan	1,100,000	$6,407,000	925,000	$5,774,000
From Hong Kong	28,000	143,000	450,000	2,616,000

NOTE.—Japanese annual quota was 1,050,000 dozen.

W. RAY BELL,
Association of Cotton Textile Manufacturers.

STATEMENT OF WILLIAM F. SULLIVAN, SECRETARY, NORTHERN TEXTILE ASSOCIATION, ACCOMPANIED BY HENRY TRUSLOW, PRESIDENT, NORTHERN TEXTILE ASSOCIATION

Mr. SULLIVAN. My name is William F. Sullivan.

I am secretary of the Northern Textile Association.

With me is Mr. Henry Truslow, who is president of that association and is also president of the Ponemah Mills in Taftville, Conn., a cotton textile concern.

The association, which was founded in 1954, is an organization which represents the textile mills located principally in New England.

We oppose H. R. 12591, first, because it authorizes further reductions in tariffs, and second, because it provides no guaranties that injury to the industry or its various segments will be remedied.

The bill authorizes the President to do nothing about serious injury caused by imports. In fact, he is granted the specific power to "disapprove" the remedies which have been found necessary to prevent or remedy serious injury to a domestic industry.

His "disapproval" can only be set aside by a vote of two-thirds of both Houses within 60 days, an unrealistic procedure which offers no assurance to the industry.

The peril-point and escape-clause procedures in the bill, which give congressional direction to the Tariff Commission, are completely nullified by the subsequent authority to the President to ignore the findings and recommendations of the Commission.

This is further aggravated by the complete lack of any direction by the Congress to the President as to the criteria or rules he should apply in a situation involving serious injury to a domestic industry.

Our fears about the operation of H. R. 12591 are founded upon experience and injury which we have received under prior trade agreements legislation. We have been wounded in the past by the GATT, and it is being reloaded with a 5-year supply of ammunition in this bill.

While the Trade Agreements Act has been in effect, American mills have not only lost an increasing share of the domestic market for their products but, in the case of cottons, two-thirds of the export market which that industry had in 1949 has been lost.

From a textile point of view, the trade agreements program has been accompanied by a shrinking of our foreign and domestic markets which amounts to about 18 percent of our total production of cotton textiles for domestic use, this since 1949. This has taken place in the last 8 years, and will continue unless Federal policies are changed.

I said we had been hurt by this type of legislation, and there are certain assurances that have been given that there are plenty of safeguards in the present bill.

Three years ago last March, when we appeared before this committee, as did many others here today, on the matter of extending the present act, H. R. 1, the following assurance had been given by the President to the Honorable Joe Martin on February 17, 1955:

> I wish to comment on the administration of this legislation if it is enacted into law * * *. This program must be, and will be, administered to the benefit of the Nation's economic strength and not to its detriment. No American industry will be placed in jeopardy by the administration of this measure * * *.

Just 1 week before Representative Perkins Bass wrote to the President and stated the textile leaders—

> fear their industry may be in serious jeopardy if textile tariffs are further lowered—

and added:

> I am sure you are aware of this problem peculiar to textiles, and that should the Reciprocal Trade Act be extended by the Congress, as provided in H. R. 1, you will bear this in mind, and will take no action which will injure or jeopardize this important industry, or any other for that matter.

The President reassured Mr. Bass on February 17, 1955, as follows:

> I appreciate that legislation of this character has always aroused concern among industries that are fearful it may be administered so as to affect them adversely. Such fears are in fact groundless, for it would ill serve our Nation's

interests to undermine American industry or to lower our high living standards. Our own economic strength is a pillar of freedom throughout the world, and it would be irresponsible to take any action that would weaken it. For this reason no American industry is going to be placed in jeopardy by the administration of this measure. Nor will any American industry be placed in jeopardy in the trade negotiations which are to begin next week at Geneva under the existing trade agreements law.

On June 8, 1955, the House and Senate conference committee approved H. R. 1 in the form in which it was shortly thereafter adopted. On the following day, June 9, 1955, the Department of State issued a press release stating that a new trade agreement had been signed at Geneva on June 8 with Japan and other nations. The full text of the release regarding textiles is as follows:

Among the concessions granted by the United States were moderate reductions of rates on some carefully selected cotton textile items * * *.

Senator KERR. That is all it said?

Mr. SULLIVAN. That is all it stated in relation to textiles.

Senator KERR. You know that song, "That is all she wrote." [Laughter.] "I will send his saddle home."

Mr. SULLIVAN. Subsequently, it developed that duties on about 90 percent of the cotton textile production of this country were cut.

The reductions averaged about 25 percent, and in some cases were as high as 50 percent. It is interesting to note that had the Department of State waited 3 days longer, at which time the then-current act expired, it would have had to act under H. R. 1 as enacted and reductions would have been limited to 5 percent or a total of 15 percent over a 3-year period.

Senator ANDERSON. You think those dates were significant?

Mr. SULLIVAN. Yes, sir.

Now assurances by the proponents of the present bill that it "contains fully adequate safeguards for domestic industries" are hardly persuasive.

The consequences of the Geneva reductions of 1955 for cotton textiles are well known. The rate of Japanese textile imports began to soar and became so alarming in 1956 that even the Japanese volunteered not to increase their imports further. In the meantime, however, many of our mills had been permanently closed. This voluntary limitation by Japan, which is due to expire in 1961, is the only thing which stands between 350,000 workers in the cotton textile industry and unemployment.

A 5-year extension of this act might well be construed by other countries as an invitation to take greater advantage of our low textile duties.

The cotton situation is bad and the wool situation is in many ways worse.

Duties on wool textiles were drastically reduced in 1948, and imports subsequently rose. In the fall of 1956, the United States finally exercised its right to establish a tariff quota under the so-called Geneva reservation, but this arrangement fails to make any provision against the concentration of imports in certain categories of fabrics.

Imports of woolen goods tend to concentrate in the higher-quality goods which are relatively light in weight and contain a relatively greater proportion of labor. For example, imports during the first

6 months of 1957 of woolen and worsted fabrics weighing not over 6 ounces per square yard amounted to over 33 percent of the total domestic production of such fabrics.

In other categories of high quality woolen fabrics, industry sources estimate that imports are as high as 60 percent of United States production of such fabrics.

It is our firm belief, and numerous mill witnesses have testified before the Committee for Reciprocity Information, last December, that many mills have been forced—and there have been many of them—have been forced to liquidate because of this type of competition.

The bill before this committee provides no remedy for this situation.

If this legislation is adopted, we urge that it be amended in the following particulars.

(1) The extension should be limited to 1 or 2 years, and the authority to reduce tariffs limited accordingly. If the term of the act is shorter it will provide an opportunity to review its operation sooner, if the amounts are not as great then the damage will not be as great.

The Japanese cotton textile quotas are on a voluntary basis, and although the Japanese have stated their intention to maintain them until the end of 1961, there is no guaranty of this.

The second point, and this point I wish to make strongly, we believe the Congress should, by law, establish the policies to govern the serious situations which face domestic industries as a result of the trade-agreements program.

For example, textile mills need to know by what rules and on what basis they must operate in relation to mills located in other countries.

Mill managements—and I could bring a parade of witnesses here—mill managements are constantly faced with the problem of whether they should invest in improved plant and equipment, or whether they should be thinking in terms of liquidating present facilities.

This, like any other industry, is not static, you don't live on the status quo. You move one way or the other.

Now, textiles, being an international, labor-oriented, and highly competitive industry, are peculiarly susceptible to international trade.

In order to make intelligent decisons, mill managements need to know what the rules are, not only in the matter of encouraging or discouraging imports, but also what actions, if any, will be taken if the mills are seriously injured by imports.

The rules contained in the bill to guide the Tariff Commission, although they could be improved, are reasonably explicit and could be used as the basis for judgment. However, no such rules apply to the President, who makes the final decision.

It has been our position, and it still is our position, that Congress should make the policy and delegate to an agency responsible to it, such as the Tariff Commission, the administration; and that the President should not be authorized to substitute his self-made rules for that of the Tariff Commission, or for those of the Congress. This approach we still urge.

If, however, the Congress feels that the Tariff Commission should act only in an advisory capacity and that the President should exercise the final authority, it is respectfully suggested that the Congress should, in this bill, provide the rules to be applied by the President in administering the act.

In other words, the President within his own discretion should be directed to provide a remedy when he finds that an industry has been injured.

I should like to also add that the proposals regarding the peril-point provisions suggested by Mr. Daniel of the American Cotton Manufacturers Institute, meets with our wholehearted approval, and as a final point, I firmly believe that both in the peril-point provisions and in the escape-clause provisions, that it would be wise to include as one of the criteria to guide the Tariff Commission, differences in cost of production between producing products here and in foreign countries in accordance with the criteria which are set forth under section 336 of the Tariff Act.

I think that would be helpful.

Thank you very much.

Senator ANDERSON. Thank you, Mr. Sullivan.

Senator Kerr?

Senator KERR. Have you provided, or has your technical staff provided language that will implement that last suggestion?

Mr. SULLIVAN. Well, I drew some language as a sort of an example and I drew it in perhaps its weakest form.

Senator KERR. Would you want to prepare and offer it in fairly virile form? [Laughter.]

Mr. SULLIVAN. Well, the virile form is to leave it to the Tariff Commission and let that be final.

I can read you an example of how that might be expressed.

Senator KERR. I would rather you would leave a copy with the committee.

Mr. SULLIVAN. Thank you.

(The following was later received for the record:)

NORTHERN TEXTILE ASSOCIATION,
Boston, Mass., July 9, 1958.

Re H. R. 12591.

Hon. ROBERT S. KERR,
United States Senate, Washington, D. C.

DEAR SENATOR: I wish to thank you for the courteous attention which we received from the Committee on Finance at the hearing on H. R. 12591 yesterday.

You requested that I submit language regarding our proposed amendments. We propose the following amendments:

(1) Extension of the act by only 1 or 2 years, and a limit in the authority to reduce tariffs accordingly.

(2) Make Tariff Commission recommendations final, but if not, the Congress should at least give some specific direction to the President when he fails to accept Tariff Commission escape clause recommendations. This could be done by adding the following words at the end of section 7 (c) of the Trade Agreements Extension Act of 1951, as amended:

"*Provided, however,* That if in the opinion of the President serious injury has been caused to such industry he shall take action to remedy such injury after consultation with representatives of such industry."

(3) Differences in cost of production should be a factor to be considered by the Tariff Commission in both peril-point and escape-clause actions. This could be done by adding the words, italicized below, in section 7 (b) of the Trade Agreements Extension Act:

"(b) In arriving at a determination in the foregoing procedure the Tariff Commission, without excluding other factors, shall take into consideration *differences in cost of production according to the criteria set forth in section 336 of the Tariff Act of 1930, as amended,* or a downward trend of production, employment, * * * etc."

(4) We endorse the amendments to the peril-point provisions proposed by the American Cotton Manufacturers Institute.

I am sending copies of this letter to the chairman and other members of the committee.

Very truly yours,

WILLIAM F. SULLIVAN.

Senator KERR. I would like to ask you this question:

In view of the degree to which prices have risen and the extent to which tariffs have been lowered, do you think that within the framework of this legislation, if it is to be renewed and continued to be operated there is any way to effect that degree of limitation of imports necessary to the vitality and healthy vigor of domestic industry? Is there anything that you know of that will do the job short of the arbitrary imposition of quotas?

Mr. SULLIVAN. I think in the case of textiles insofar as eastern competition is concerned, that probably quotas will be necessary, because if you put the duties high enough to have an effect on the eastern competition, it shuts out Western Europe.

Senator KERR. Yes.

Senator ANDERSON. Senator Carlson?

Senator CARLSON. Mr. Sullivan, isn't the real problem of the textile competition within the fibers? I notice in your statement here you make this statement:

From a textile point of view the trade agreements program has been accompanied by a shrinking of our foreign and domestic markets which amounts to about 13 percent of our total production of cotton textiles for domestic use.

In view of the fact that our imports are only about 2 or 3 percent of our domestic production doesn't the other percentage come from competition with other fibers?

Mr. SULLIVAN. Let me first explain this: In 1949, the United States cotton textile industry exported 1,500 million yards of cotton textile fabrics.

They are currently exporting, and this is a rough figure about half a billion yards or 500 million. They have lost a billion yards of exports while this Trade Agreement Act has been in effect.

I do not believe that that loss of a billion yards or 10 years of our domestic production has been caused by the interfiber competition. I think that has been lost to cotton textile mills of other countries moving into the world market.

In addition, of our domestic market of which we had virtually all, imports have amounted to about 3 percent of our domestic production.

So that together that is about 13 percent.

Now, actually there has been a small expansion as a result of increased population, not comparable to the 13 percent, a slight increase in the total consumption of cotton textiles in this country over that period, which has offset that 13 percent to a small amount.

We still have a loss.

Now as to the interfiber competition, there is no doubt as to the woolen textile industry interfiber competition that has been an important factor in reducing the size of that industry, cutting it in half, half the employees, half the job, half the equipment, but the very fact that the industry is struggling with that interfiber competition, makes it all the more difficult for us to understand why at a time like that the

Government should encourage further imports and concentrated imports of foreign woolens.

It is a time when the industry needs the greatest consideration as it goes through the difficult problem of adjusting to that.

Senator CARLSON. I appreciate your problem, and based on the figures there was some reduction in imports in 1957 over 1956.

Mr. SULLIVAN. Now, in cotton textiles, I believe that was true, and I think the reason for it, the present reason for it, is that the American market was so bad anyway, as a result of the depression that we have been in, that foreign countries even had trouble in selling their products at their very low prices.

Senator CARLSON. I thank you.

Senator ANDERSON. Senator Frear?

Senator FREAR. No questions.

Senator ANDERSON. Senator Douglas?

Senator DOUGLAS. Mr. Sullivan, I take it then you are in favor either of higher tariffs on cotton and woolen goods, or the imposition of more restrictive quotas; is that true?

Mr. SULLIVAN. Yes.

Senator DOUGLAS. Are you acquainted—I presume you are acquainted with the tariff history of your industry?

Mr. SULLIVAN. Well, to some extent I am.

Senator DOUGLAS. You remember that in 1830 the cotton and wool manufacturers of Massachusetts and New England came down to Washington and said that they were an infant industry and needed protection in order that they might have a chance to grow up, and said that if a tariff could be imposed for a few years they would become so virile that they would not need any further protection?

Do you remember that?

Mr. SULLIVAN. Yes, I do. I remember——

Senator KERR. If I may ask a personal question, which one of you men were here then?

Senator DOUGLAS. We read the debates, I may say.

Senator KERR. I see.

Senator DOUGLAS. That is true, is it not, Mr. Sullivan?

Mr. SULLIVAN. That is true. The first one really that did that was in 1821. Francis Cabot Lowell——

Senator DOUGLAS. Yes.

Mr. SULLIVAN (continuing). Came to the Congress and said he would like to build a large textile mill, the first in the country, Merrimack Manufacturing Co., in Lowell, and got that protection and that mill ran steadily from 1824, when it was completed, until December of last year.

The mill finally made velveteens and the Japanese sent in so many velveteens that that mill had to be liquidated.

Senator DOUGLAS. In 1830 you got a still further tariff increase in the Tariff Act of 1830?

Mr. SULLIVAN. That is right.

Senator DOUGLAS. After the Civil War you appeared and said you wanted higher tariffs to protect you. That the 35 years you had were not enough so you wanted more; isn't that true?

Mr. SULLIVAN. I will take your word for it.

Senator DOUGLAS. Yes.

Then in 1897 when Nelson Dingley was chairman of the House Ways and Means Committee, the industry appeared and said it wanted a further increase in tariffs; isn't that true?

Mr. SULLIVAN. If you say so.

Senator DOUGLAS. It is true. Then in 1909 when Nelson Aldrich presided over this committee, the industry appeared and said they wanted a still further increase because they had not had time to grow up yet.

Mr. SULLIVAN. If you say so.

Senator DOUGLAS. That is right.

In 1901 when Chester W. Fordney was chairman of the House Ways and Means Committee the industry appeared and said it wanted a still higher tariff in order to protect itself.

Mr. SULLIVAN. Yes, sir; if you say so.

Senator DOUGLAS. Well, it is true.

In 1929 and 1930 when Reed Smoot, whose picture is outside there, was chairman of this committee and Mr. Hawley was chairman of the House Ways and Means Committee and Mr. Joseph Grundy was a leading member of this committee, the industry appeared and said it wanted an increase still further.

Mr. SULLIVAN. That is correct.

Senator DOUGLAS. Now the question is, how long is your industry going to remain an infant? Mr. Sullivan, when is it going to be able to get off the nursing bottle and walk on its own feet?

Mr. SULLIVAN. Well, I would like to answer that.

There is no doubt that in the beginning we sought to protect ourselves as we learned the techniques of manufacturing.

Subsequently, as a result of a lot of reasons, including the tariff, this industry adopted standards of labor more or less commensurate with those of the American standard.

Senator DOUGLAS. Did you do that or was that a result of unionization, and also the Fair Labor Standard Act?

Mr. SULLIVAN. Let me say this, even if a mill is not organized it pays a minimum.

Senator DOUGLAS. I grew up in New England and I know the cotton mills and woolen mills of New England prior to the coming of unionism paid extremely low wages and worked extremely long hours.

Mr. SULLIVAN. I think that is probably true, because even then there was pressure of international competition.

I think one of the reasons that the cotton textile wages in this country are relatively low to other industries now is because of this constant pressure.

Senator DOUGLAS. Even in spite of the high tariffs?

Mr. SULLIVAN. These tariffs are not high and will not compensate for the very much lower wages and costs of foreign mills, and that is one of our problems.

Imports are depressing the whole industry, depressing not only the earnings of workers but the earnings of stockholders. And the industry, in fact, this being a labor-oriented international industry, did grow up behind, if you want to use the words, behind the tariff wall, and it built its costs and its earnings and its wages on that basis.

When that wall is torn down, the industry is left exposed to a kind of competition which is not competition at all. It is attrition.

Competition implies that you have a chance of succeeding, the Japanese mills landing cloth here at landed prices which no American mill could reach by way of costs.

Senator DOUGLAS. I have always thought that American industry, American management, and American invention were extremely efficient, and I would say that there is a case for protecting an infant industry to give it a start but I would say that your industry has certainly had a long-enough period, well over a century, so that it could be expected to stand or fall on its own merits.

Mr. SULLIVAN. In point of efficiency, we do not take our hats off to any other country but you must remember though those countries were making textiles even before we were and those countries also have available to them the skills and the machinery and are as efficient or can be as efficient as our mills.

Senator DOUGLAS. I have been through the British mills and I would not say that the British mills were as efficient as ours and I remember that Mr. Orchard and his wife visited Japan prior to World War II, and reported machinery and techniques of the Japanese mills at that time were very much inferior to American mills.

Senator KERR. That was before we gave them replacements. That is a good example.

Senator DOUGLAS. I was careful to say it was before World War II, and I am not certain whether the same condition would hold since World War II.

Mr. SULLIVAN. Since World War II there has been a vast change. For example, taken woolens alone. This country before the war had about 40,000 woolen worsted looms.

We are now down under 16,000 looms. Japan from nothing has built up an industry of about 36,000 woolen looms, and that is a new industry.

They have more looms, almost twice as many looms, as this whole country has in woolens and worsteds.

Senator DOUGLAS. But Mr. Sullivan, isn't this due in large part to the decline in preference for wool as a textile? I mean wool is a fine textile, but it is a heavy textile, and what has been happening of course has been the development of the synthetics, which have largely replaced both cotton and wool, and aren't you blaming upon international trade some of the shift in the industry from woolens and cottons to synthetics?

Mr. SULLIVAN. I think I acknowledged to Senator Carlson that interfiber competition was an important factor, but the very fact the industry was going through that adjustment to have its imports increased by 600 percent and by having concentrations of imports in these fine woolens up as high as 60 percent of the domestic production certainly aggravates that problem all out of proportion.

We do not claim that all the problems of any branch of the textile industry are solely attributable to this act. There are many areas in which we have to work but all I am saying is this is an important one.

Mr. Truslow, our president, would like to say something to one of our questions.

Senator DOUGLAS. Yes.

Mr. TRUSLOW. I was interested in your statement about England. I was in Manchester about 6 or 8 weeks ago. I was in a mill, a good-

sized mill, and they did not have a machine in there over 4 years old. So far as the Japanese go, their own engineers have developed—first as the chairman said, we supplied them with machinery after the World War. Since then they have developed their own machinery, and I hate to admit it but some of it is well ahead of ours.

Senator DOUGLAS. Don't you think that mill you saw in Manchester was a somewhat unsual mill?

Mr. TRUSLOW. It could have been; but take that as the peak. There were 16 looms in a chain. But the average loom would be, in that group, comparable to our average mill. We have top-flight mills which have new machinery and other mills that do not.

As far as the industry as a whole, I think you want to remember that in most fabrics your labor is anywhere from 45 to 55 to 60 percent of your costs and if you are paying 10 times the wages on 60 percent of your costs you have more of a problem than some steel fabricating mills where labor would be 10 percent.

Senator DOUGLAS. What is your average hourly rate?

Mr. TRUSLOW. Our average hourly wage is $1.46 plus 20 cents fringe benefits.

Senator DOUGLAS. How much is the hourly rate in Japan?

Mr. TRUSLOW. Twelve to fourteen.

Mr. SULLIVAN. Fifteen.

Senator DOUGLAS. And in Britain?

Mr. SULLIVAN. We figure Britain around 40 cents.

Mr. TRUSLOW. They were 30.

Senator DOUGLAS. Of course, there are some good fringe benefits in Britain.

Mr. TRUSLOW. They are not as heavy as ours. Fringes cost my company 20 cents per hour per employee.

Senator DOUGLAS. Fringe benefits?

Mr. TRUSLOW. I think the main point to remember is our percentage of our costs in labor is very heavy.

Senator ANDERSON. Has not the nature of your need for protection somewhat changed in the passing years?

In 1830 you were not very much worried about Hong Kong shipping shirts into the United States.

Mr. SULLIVAN. I think not, but my memory is not too sharp as of that time.

Senator ANDERSON. And Pakistan and Formosa and so forth, it is quite a different story, is it not, than the picture mentioned here a moment ago, maybe by you, of how many thousand additional shirts are imported——

Mr. SULLIVAN. Mr. Bell gave those figures.

Senator ANDERSON. Four hundred and fifty thousand dozen shirts coming in from Hong Kong this year as against 28,000 last year.

Is that part of the reason why you feel your industry needs some sort of protection?

Mr. SULLIVAN. Yes; it is. That is why the present status quo level of duties as they have been reduced under this Trade Agreements Act is really too low to protect us and as I think somebody else pointed out under our other programs we are selling to foreign mills American cotton at about 25 percent less than we are allowed to buy it for, so they have a raw-material advantage on top of a labor advantage.

But I only say there are a number of factors.

But I think none of us brought up the question of arguing the fact that they can produce at vastly lower costs than we can because I think we all thought that had been accepted by now.

It is just a matter of seeing their landed prices and the millman looks at his own costs and knows he cannot touch them.

Senator ANDERSON. There was an international camera show in Washington a couple of years ago, and as a Leica fan I went to take a look at the newest Leica camera. I never got past the Japanese exhibit, with the Nikon and new cameras with their very remarkable lenses. A somewhat new factor in the photography business, the camera business, and I imagine it applies all the way down the line.

Mr. SULLIVAN. That brings up an interesting point which is particularly true in woolens. The principal woolen-producing countries, such as Japan, United Kingdom, France, Italy, and Germany, are competing in the United States market now and driving each others' prices down in the United States markets, while the United States producer with his higher costs based on higher wages, is left stranded.

He cannot come near any of them. Meanwhile they compete among themselves in this market.

Mr. TRUSLOW. Mr. Chairman, this might be of interest to you. While I was in that English mill the managing director who is in a real state of worry because of imports from India, and was raising the devil in the Manchester area, he got through telling me all his troubles and he turned to me and said, "When are you chaps going to lower your tariffs?"

So I said, "You are worrying about the Indians and we are worried about you."

In my own particular business, my company was started in 1870. We were the first company in this country to run Egyptian cotton, spinning fine cotton, and it has been in operation continuously ever since. It is hard for me to understand why we should have 400 people out of work, 800 people on part time, when just the other day they announced in Peru that now they have their own textile industry and they are not going to import any more from this country, and they raised the tariffs 50 to 100 percent.

I think there are some basic things here we must keep in mind, that never in the world will we be able to help others if we allow our own strength to be sapped.

It is just as simple as that.

Senator ANDERSON. Thank you both for your testimony,

Senator KERR. I want to ask you a question.

The distinguished Senator from Illinois referred to the woolen and textile industry as a disappearing one.

Senator DOUGLAS. I did not say that. It is not correct.

Senator KERR. What did you say about its reduced production and other fibers?

Senator DOUGLAS. I said it had suffered.

Senator KERR. What does it mean?

Does it mean it is being reduced in volume?

Senator DOUGLAS. I did not say it was disappearing——

Senator KERR. Just what does that mean?

Senator DOUGLAS. May I finish the sentence?

Senator KERR. If you would answer my question.

Senator DOUGLAS. May I take a sentence to finish my answer to your question?

Senator KERR. There is nothing in the world I can do about that.

Senator DOUGLAS. If Senator Anderson agrees, may I be permitted to answer in terms of a paragraph?

Senator ANDERSON. Go ahead.

Senator DOUGLAS. I said that the woolen industry as well as the cotton industry had suffered not merely from the tariff but also from the growing use of synthetics which has helped to take over some of the market for cloth and textiles, formerly possessed by woolen and cotton.

Now, if this is not an accurate reproduction of what I said I will be very happy to revise this sentence to make it conform.

Senator KERR. Well, I would rather for you to be devoted to giving me accurate information than to make it conform to a previous mistaken statement.

Senator DOUGLAS. Just a minute. Are you saying that synthetics have not taken some of the market for woolen and cotton?

Senator KERR. I was accepting your word for it.

Senator DOUGLAS. Why do you question it?

Senator KERR. I was accepting your word for it that they were taking increasing percentage of it. Isn't that the gist of your statement?

Senator DOUGLAS. Well, over a period of time, certainly, they have taken an increasing percentage of it.

Senator KERR. I don't know anything that occurs simultaneously. It has to take time.

Senator DOUGLAS. If you go back to 1930, it is certainly true that since then the synthetics have taken a larger share of the market for cotton and wool. I would imagine they are taking a larger share now than 1930. Whether 1957 is different from 1956 is something else again.

Senator KERR. Is the overall trend one in which synthetics are increasing and the others are reducing?

Senator DOUGLAS. If you go back to 1930——

Senator KERR. I am talking about today.

Senator DOUGLAS. In terms of 1930 base, I would say that is true. I am not informed as to comparing what happened yesterday as to the day before yesterday.

Senator KERR. If the Senator does not know, he would relieve my mind by just saying so. If he does know, he would relieve my attention in telling me.

Senator DOUGLAS. The Senator from Oklahoma is very well versed in all matters, and able to inform people of his knowledge. If I do not know, he should set me right.

Senator KERR. I have too many other burdens to take it on.

Senator DOUGLAS. You took it on. Take it on.

Senator KERR. You punish the job.

Senator DOUGLAS. I don't want to get into a verbal fight with you.

Senator KERR. Don't do it.

Senator DOUGLAS. If you start it, I am not one to back away.

Senator KERR. That is well enough known to be admitted by the Senator from Oklahoma, and if you do not want to enlighten the Senator from Oklahoma, then just be quiet while I am questioning the witness.

Senator DOUGLAS. Just a minute. Did I interrupt you?

Senator KERR. Yes; you did. Just now, when I made a statement to this witness.

Senator ANDERSON. Senator Douglas, he said "Senator Douglas said certain things."

Senator DOUGLAS. I beg your pardon.

Senator KERR. I will retire until you finish your statement.

Senator DOUGLAS. I have finished.

Senator KERR. Then retire until I finish mine.

Senator DOUGLAS. I will be glad to do so.

Senator KERR. Was I mistaken in interpreting it, in feeling that one interpretation of what the Senator from Illinois said, or did you get the impression that he indicated that the business of textile operation in woolen and cotton was on a reducing basis by reason of an increasing amount of other textile products; namely, synthetics?

Mr. SULLIVAN. Well, my impression was that, in relation to wool, I acknowledged that the interfiber competition was an important factor in causing the decline of the wool-textile industry.

Senator KERR. In that decline, you said nothing was static, that it either went forward or backward. Aside from what he said, just as a matter of information to me, Is the present posture one in which the decline continues?

Mr. SULLIVAN. We do not like to say it, but, in my opinion, the posture is one of continuing decline.

Senator KERR. Insofar as the textile industry utilization of woolen and cotton materials is concerned?

Mr. SULLIVAN. Well, insofar as wool is concerned, and there has been a decline in the past year insofar as cotton is concerned, of course, we all hope that both of those will turn around.

Senator KERR. I understand.

Mr. SULLIVAN. And, also, with synthetics, because we represent——

Senator KERR. That is, you hope that the overall consumption will increase?

Mr. SULLIVAN. Yes.

Senator KERR. But, insofar as the relative percentage supplied by woolens, let's take it one at a time. Its percentage is on the decline?

Mr. SULLIVAN. Well, it has been; let me answer this as best I can. I had a feeling that that decline, which had dropped so markedly, and had been so much liquidation, about half the industry, would stabilize. I thought it would stabilize around early in 1957 or late 1956 because we—after all, we had cut from 40,000 down to 18,000 looms. But it did not stabilize there, and, even last week, a couple of mills closed.

Senator KERR. Involving how many people?

Mr. SULLIVAN. Well, there is a Virginia woolen mill; I do not know just how many are involved there. I think probably around 500; and a mill up in Munson, Mass., closed, or closed part of their operations and dropped their employment from 500 to about 130.

I have a feeling, but it is one of those things that is very difficult to prove, that that stabilization which we hoped for early in 1957, was upset largely by the increasing imports of foreign goods, and particularly Japanese goods, which come in at very low prices.

Now, those mills in New England which have liquidated, many of them have been what we call the fine woolen mills that make a lighter weight fabric, high quality, high cost.

That means there is a lot of labor in it, and the importer, of course, likes to bring that sort of goods in because there he makes most of his profit because the thing he has plenty of is cheap labor, and before the Committee for Reciprocity Information we had a number of those woolen manufacturers here, and they told directly how they lost this order and that order and who they lost it to. They just cannot meet, and some digging around was done. It is awfully hard to prove statistically, but it was estimated on those very fine woolens that it was up to 60 percent of the United States production—an amount equal to 60 percent of the United States production was imported.

Senator ANDERSON. Could I ask this question? Several years back, I could not say exactly how many, the competition for these woolen goods, to a degree, came from Australia, where they have very fine woolen goods. It was from Australia and New Zealand that we were importing some cloth. Could it be possible that the Japanese have sort of reduced that threat to some degree? What is the source of the Japanese?

Mr. SULLIVAN. I don't know, Senator, and I would rather not guess at it.

Senator ANDERSON. What is the source of raw material? This is a matter of purely idle curiosity. What is the source of the Japanese woolen goods? Where is the raw material from; Australia, New Zealand?

Mr. SULLIVAN. Where do they buy it from?

Senator ANDERSON. Yes.

Mr. SULLIVAN. Australia, I am told.

Senator ANDERSON. I am sorry.

Mr. SULLIVAN. Mr. Wilkinson, of the National Association of Woolen Manufacturers, is slated to testify, and he will be able to testify on that.

Senator KERR. The statement I made that, apparently, has put a psychological block in my esteemed friend from Illinois, was that I had gathered the feeling that the business of textile operation in wool was a disappearing business. I will withdraw that and proceed on the assumption, if there is a basis for it, and if there is not, you correct me, that it is one, the volume of which, percentagewise, to the total textile industry has been on the decline, and, if the decline had been arrested, you cannot establish it by available data.

Mr. SULLIVAN. That is correct.

Senator KERR. Yet, while it is in that posture, and while our own operation in that field was represented by 40,000 looms capacity as of what date?

Mr. SULLIVAN. Around 1947 or 1948.

Senator KERR. 1947 or 1948; it has declined until, today, our capacity being operated is less than 18,000 looms?

Mr. SULLIVAN. That is right.

Senator KERR. Now, during what part of that time has the Japanese woolen-textile industry grown to where they now operate 38,000 looms?

Mr. SULLIVAN. The Japanese growth, I think, began about 1950.

Senator KERR. Do you, or is there anybody else present who knows what their capacity was in 1950?

Mr. SULLIVAN. I can find it out.

I am told it was about 18,000 or 20,000 in 1950. We can check it.

Senator KERR. As of now, it is 40,000?

Mr. SULLIVAN. I think it is 36,000.

Senator KERR. So in the same time that ours has reduced by more than 50 percent theirs has increased by more than 100 percent?

Mr. SULLIVAN. That is correct.

Senator KERR. Has there been an increase in wollen looms operation in other countries during this same period of time?

Mr. SULLIVAN. I do not think there has been a decrease. How much of an increase, I don't have the figures on.

Senator KERR. Then to the extent apparently that it has declined in this country, it has largely been developed in Japan?

Mr. SULLIVAN. They come out about the same, yes.

Senator KERR. Some indication was made here and I am again referring to the statements by the Senator from Illinois; if I am incorrect not only will I expect but hope he will correct me, that there has been some indication that there has been an attitude on the part of the American textile industry to be "nursed," I believe the word was used, by having some protection available to it in the form of protective tariffs.

Let me say so far as I am concerned, I neither resent nor criticize that.

It just happens that I believe in the first amendment to the Constitution of the United States which, among other things, provides that Congress shall never pass a law denying the people of this country the right to petition their Congress or Government, and I would expect them to petition their Congress on the basis of what they feel their interests are.

Is it possible that this situation today is a contest between those who believe that if there is any nursing, to be done it should be done for American industry and on the other hand, those who believe that the nursing to be done should be done for the benefit of foreign industry?

It is possible that that is somewhere near an appropriate description of the situation, assuming that there is an attitude on the part of some or many wanting to have a little nursing done for their benefit?

Mr. SULLIVAN. Yes, sir.

Senator KERR. And the contest is primarily those who would dry up the milk bottle or the nursing bottle for American industry, but open innumerable spigots to it to an infant industry in just about any corner of the world that might want to get a hold of the teat?

You think that is an illustration that is not so farfetched but what there is some basis for it?

Mr. SULLIVAN. I do.

Senator KERR. I want to say you and I are in close agreement.

I am not right sure but what that constitutes a majority of what I can see around here.

That is all, Mr. Chairman.

Senator ANDERSON. I only want to say as a grandfather that I do not like the word "spigot" in connection with the device by which they are nursed.

Senator KERR. I tell you I know a lot of American industries that feel it has to be a spigot or else those attached to it in other countries could not be nourished to grow as fast as they have.

Senator ANDERSON. Thank you, sir.

The next witness is Mr. Barkin.

Mr. Barkin?

STATEMENT OF SOLOMON BARKIN, DIRECTOR OF RESEARCH, TEXTILE WORKERS UNION OF AMERICA, AFL-CIO

Mr. BARKIN. Gentlemen, my name is Solomon Barkin. I am director of research of the Textile Workers Union of America, and associated with me is John Edelman, Washington representative.

In our presentation, gentlemen, we have waived the need of presenting detailed figures and statistics because we have presented them to the Boggs subcommittee in November and then again in February.

The data on the industry have been summarily discussed by previous witnesses. We are, however, very much impressed with this important fact: The passage of the House bill is an extraordinarily important event, because its passage signalizes to us the last effort to protect or secure the maintenance of industries such as textiles.

The authority vested under this bill in the President and the authorization for reductions have had fatal effects on many traditional industries such as the textile industry.

We point out that the entire textile industry, including cotton, synthetics, wool and others, employed 1,300,000 people, may I repeat the figure, 1,300,000 production workers in 1951.

At the present time, the number is below 820,000.

Senator KERR. If I may interrupt you right there.

Mr. BARKIN. Yes.

Senator KERR. Are you not aware of the fact that there are 4½ million American workers who have got jobs because of the exports made possible by this trade?

Mr. BARKIN. We have indicated that there is this reduction of 500——

Senator KERR. On the one hand.

Mr. BARKIN. On the one hand, and we are certainly aware that at the present time there are at least 5 million unemployed.

Senator KERR. I am one who does not believe there is a word of truth in the statement about the 4½ million being employed by reason of the program.

I would hope that you or somebody else would provide corroborating evidence to sustain that position. I don't aim to continue to take it whether you do or not, because I know I have got as much basis for it as those who complain other ways.

Senator MARTIN. Mr. Chairman, if I might suggest, I think it would be helpful to us, you have given the number employed in 1951 and then the number now—if you would give the comparison, say, the number employed in the steel industry in 1951 and then the number employed now——

Senator KERR. I think it would be wonderful if he or somebody with him could give this committee accurate information as to the number not now employed by reason of the reduction of domestic industry because of imports, as compared to 6 or 7 years ago in every industry.

Mr. BARKIN. I think that the issue that you present is a very serious one, and I agree. The underlying question that you present has unfortunately not been dealt with frankly by all groups. It is the Government's figures and the various studies made by the Bureau of Labor Statistics and by comments and estimates on the other side.

Unfortunately, I couldn't present to you the detailed study, couldn't do it at this moment because this is one of the huge gaps of information which the Government should have properly supplied. It is a statistical venture of real proportions.

I have studied the problem and can tell you, Mr. Kerr, that the figures furnished to this committee by Mr. Mitchell and others on employment effects are most inadequate. Statements before the Boggs committee and the House Ways and Means Committee, completely underestimate the employment displacement resulting from imports.

The closest estimate that is available which reflects some degree of realism is that made by Mr. Salant at the Boggs hearings of November. He has made what I think is the first effort at some degree of objectivity, in making these estimates of displacement.

As an illustration, let me indicate what the complexities are.

If we lose one textile job in any area of the country, there are tremendous indirect repercussions on employment.

It means that that one factory job is eliminated. The supplies for that factory job are eliminated.

Senator KERR. Or are affected.

Mr. BARKIN. Are affected. The real-estate values, the town sales are affected, and way down to the ultimate source of all materials.

Senator MARTIN. Another thing that is affected is transportation.

Mr. BARKIN. And a variety of things.

Senator MARTIN. What I was trying to bring out was, my idea was, if you could give us some information other—what other types of industries, say, on up to what we call the recession—now I know in the steel mills at that time there has been a great increase in number.

There has been a great increase in aluminum and things of that character.

Mr. BARKIN. Could I just answer that?

Senator MARTIN. I mean, maybe you cannot answer it.

Mr. BARKIN. I can give you the principle.

Senator MARTIN. Not principles, but if you could give this committee the figures, submit them later.

Mr. BARKIN. Very well.

Senator ANDERSON. I was just going to say to you, Mr. Barkin, I think this staff, of this committee, would be pleased to have your help and the help of various other people similarly situated. You are director of research of a very important segment of employment in this country, and if we could have figures prepared on "employment displacement," and I like your term, I think it would be very useful to this committee. If you could submit your end of this, then perhaps we could address our inquiries to Mr. McDonald for the steel end of it, and to the list of major industries affected.

Of course, you would come back to the ones collaterally affected like transportation, but the immediate displacement of a man from a job would give us most interesting figures and I am very happy that you have used one that is a half million in your own industry alone.

There must be many others. There are certainly some large displacements in the metal mining industries where every lead and zinc mine in the country is now successfully closed.

Mr. BARKIN. One interesting fact that I should——

Senator MARTIN. I should like to make this clear. I don't want any of my questions to indicate that I have taken a certain position in this.

What I would like is information so that we can come to an intelligent decision.

Take, for example, Mr. Chairman, I have a list of 107 factories of various kinds which are being affected by importation in my State of Pennsylvania.

Now that does—also we have a lot of employment by reason of imports and by exports.

There is not any question about that. But what I would like to do is to get precise figures so we can intelligently reach conclusions.

Mr. BARKIN. May I make one positive suggestion which may be helpful?

Senator ANDERSON. Do that.

Mr. BARKIN. Because all of us have bandied around figures, if you will instruct your staff to bring technicians from both wings together and try to reconcile and to study this problem, we could very well get at the source of our conflicts in estimates, because I don't think the Bureau of Labor Statistics estimates are proper, and I believe that the committee could very well enjoy the results of such an exchange of views and facts among the technicians.

Senator ANDERSON. If there is no objection, I am going to ask the staff members to do that.

You would take the labor union principally involved and the Department and Bureau of Labor Statistics that handled the material from that particular group to try to get the figures where they read from the same book or very much the same?

Mr. BARKIN. Very much the same.

Senator ANDERSON. Thank you.

Mr. BARKIN. Gentlemen, we think this problem, we have started off our presentation with the realization that it is probable, to use a rather frequently used phrase, it is later than you think.

Consequently, we are proposing here a new approach which I believe reconciles the various points of view, the point of view that Mr. Douglas represents, and the point of view which people taking opposite positions, the so-called protectionist point of view.

We are attempting to provide a practical substitute for the present escape clause and, possibly, the peril points, in order to implement them in a way that the so-called liberal traders say it will operate and which they indicate is the purpose of current legislation, and the objective which many on the so-called protectionist side intend to realize.

And it is with this purpose of finding a new solution which reconciles these points of view that we are appearing here before you.

This is a huge undertaking.

Senator KERR. I just want to say to you at that point, I appreciate it and I am just one member of this committee, and I have publicly professed my ignorance on many phases of it many times for the many reasons, one of which was that I hope by exposing it to eliminate it, but I want to say to you we have had a lot of witnesses here before this committee and especially those representing the Department of State, and the Department of Commerce and the Department of Labor, who have been in the posture of providing us with language of legislation to be approved and enacted, and it would not be entirely out of order, and I want to say there have been some very fine witnesses here, some of them this morning, that have followed the procedure of furnishing us information, indulging in what might seem to some to be the vital presumption that if adequate and accurate information and data are provided, it is just entirely possible that we might come up with some suggested legislation ourselves.

Now it is your day in court.

Mr. BARKIN. I am going to be presumptuous enough, Senator Kerr, to offer this proposal, because it appears to us to be a constructive elucidation of the purpose of current legislation as expressed by the proponents on both sides.

Senator DOUGLAS. Mr. Chairman, since I believe very strongly in the first amendment to the Constitution, and the right of petition, I move that Mr. Barkin be permitted to make his constructive suggestions to the committee.

Senator ANDERSON. He will have no trouble doing that.

Mr. BARKIN. Thank you, Senator.

Senator KERR. It will make him feel better, though, to know he is thus represented and protected.

Mr. BARKIN. The Textile Workers Union of America appears before you to urge a new solution to the complex problem of prevention of injury to domestic industry.

Most groups and interests are in agreement that tariff reductions shall not cause serious injury to American industry. There is also widespread dissatisfaction with the present escape clauses and peril points.

The amendments in the bill before you provide no real assurance, that is the bill before you, the House bill, that injury will not be done. serve to calm the fears of industry. Presidential disregard for the findings of the Tariff Commission cannot inspire confidence that the

The mechanisms prescribed by the present escape clause cannot act will be administered with sympathy for American industry no matter what assurances are offered in an effort to allay widespread fears of economic harm.

Contrariwise, the liberal traders, if that word is a proper characterization of people supporting the bill, I am using this as a convenient label, the liberal traders have also expressed discontent with the present provisions.

They characterize the escape clause as it self being a barrier to trade even where it would otherwise be contemplated.

They alleged that foreign countries are unwilling to hazard trade expansion so long as the threat exists under the escape clause. While

they are willing certainly to concede that protection is justified for America's contracting industries, they are opposed to protection for those American industries which are expanding.

Fearing that any concession would represent a show of weakness, the advocates of liberal trade have been unwilling to propose a set of substitute regulations under the Trade Agreements Act which would fully reflect the sentiments they have repeatedly voiced both orally and in writing.

They continue to resist agreements, even on proposals and principles to which they agree, lest liberalization of the present provisions would raise protective walls indiscriminately.

But the well-being of this country and the administration of a reasonable Trade Agreements Act demand that the parties set aside debating points and tactical positions and deal forthrightly with the well-being of the industries likely to be injured by further liberalization of the rates of duty and particularly those industries which are contracting in the United States.

Senator KERR. You mean declining.

Mr. BARKIN. What is that?

Senator KERR. You mean declining.

Mr. BARKIN. Declining, contracting, I use the word in that sense.

Senator ANDERSON. Shrinking.

Mr. BARKIN. Shrinking.

There is a great need to replace the present formula in the escape clause with one which fully reflects both the views of the liberal traders and the protectionists in those industries which are contracting. The proposal which we offer herewith attempts to achieve this reconciliation and we hope that the Senate Finance Committee will give it the attention it deserves.

In substance, the recommendation of the Textile Workers Union of America is that the Congress of the United States specifically define in section 6 of the Trade Agreements Act the type of protection to be provided to prevent the injury from foreign competition which the escape clause now seeks to give.

We propose that the Congress establish a historic level of physical production for certain basic and essential existing industries which shall be protected from imports by requiring the Tariff Commission to establish such rates as are necessary to safeguard this level of production from imports.

The President may exercise the powers granted him under the Trade Agreements Act to negotiate the rates of duty for the remainder of the volume of American consumption.

The consequence of such a provision would be that it would open up to free competition between American and foreign producers the growth element of national consumption on existing products as well as all new products which may in the future come on the market.

Trade competition will center primarily in the expanding industries and the newer domestic and foreign products will be shifted away from the industries which are contracting within the United States.

The virtue of this proposal is that foreign trade will no longer aggravate the plight of ailing domestic industries which are facing serious adjustment problems.

The principles underlying these proposals have been urged upon the Congress of the United States by various representatives of the

affected distressed and contracting industries such as textiles, pottery, and the like.

I may say they have not proposed it in the form in which I have offered it. I am simply saying this plea is based upon this request.

This concept has also been urged in principle by many liberal traders. The testimony on foreign trade policy before the Boggs Subcommittee on Foreign Trade Policy of the House Committee on Ways and Means contains a number of statements by liberal traders endorsing this position, in theory.

Prof. Don Humphrey in his paper declares that—

> It seems unfair to further reduce the tariffs of declining and stagnant industries.

He further argues that—

> even though imports are not the principal cause of declining employment, it seems only fair to consider such (declining) industries for relief under the escape clause if increased imports—

contribute substantially "toward causing serious injury." (P. 591 of Compendium of Papers) Professor Humphrey took a similar position in his report entitled "American Imports" issued under the auspices of the Twentieth Century Fund and the National Planning Association.

An almost identical position was taken by Prof. Irving Kravis in his oral testimony before the Boggs subcommittee. Similarly Walter Salant of Brookings Institution in discussing the problem expressed sympathy for this position though he expressed several qualifications and offered suggestions respecting the specific formula which I was proposing.

At the same hearing similar understanding was expressed by other liberal traders. The American Federation of Labor and Congress of Industrial Organizations in its endorsement of the extension of the Trade Agreements Act has made it clear that it recognized that reductions in duties should not adversely affect basic and essential American industries.

However, these groups have done little to implement their understanding and sympathy. They have abstained, we believe, because it appeared to them that their bargaining position had to be maintained no matter what injury they created and what confusion and difficulties they produced in the administration of the Trade Agreements Act.

Frankly, I feel bold enough to say that because I have appeared and appealed and spoken to many men in that camp, and found them to be sympathetic to my plea, but could never arouse them to the point of taking action of amending their position to have it reflect the sympathy which they expressed privately.

Senator KERR. Sympathetic to your objective, but indifferent to the implementation of it.

Mr. BARKIN. They have never taken action to assure this. As a matter of fact, I may say, I wish to underscore it. In the councils of the American Federation of Labor and CIO, I have appeared and my organization has appeared before their executive groups in convention resolution committees and they have modified their resolution to recognize this principle. Out of these proposals came the

concept of the Trade Adjustment Act but we believe the proper method of implementing the resolution of the American Federation of Labor and CIO, is to support such proposals as we make.

Senator ANDERSON. May I ask you here when you refer to "they" have abstained, because it appeared to "them," does that mean the AFL-CIO? Does it apply to them?

Mr. BARKIN. To other liberal trade groups.

Senator ANDERSON. "No matter what injury they created," that refers to the representatives of the AFL-CIO?

Mr. BARKIN. No, to the liberal trade groups as a whole. I think while this statement may appear to be sweeping, I would judge it to be a fair representation of the political posture, to use the word which was previously employed, that has been developed.

I can say I have talked to the Taft group, to the Americans for Democratic Action, for the AFL-CIO, with outstanding spokesmen of the liberal trade position, and have always found them interested in my position and my attitude.

As a matter of fact, the report attached to Don Humphrey's survey of the Twentieth Century Fund consisted of many men who are liberal traders.

I was a member of that committee for the Twentieth Century Fund and found they were all interested in finding some solution for the type of problem which I am presenting here, but they would not go so far as to try to find some new legislative proposal which would meet that situation.

Senator ANDERSON. I was only interested because I thought the Textile Union was a part of the AFL-CIO.

Mr. BARKIN. We are.

Senator ANDERSON. This reads, "The American Federation of Labor and Congress of Industrial Organizations," "these groups," "they," something that appears to them, "injury they created"; I thought you were referring directly to the AFL-CIO.

Mr. BARKIN. Yes; we are part; we have presented our testimony before the resolutions committee and sometimes we have been persuasive, but not fully.

Senator KERR. As an illustration, Mr. Chairman, Oklahoma is part of the United States of America, but we resent what the other gang is doing to us in some regard. [Laughter.]

Mr. BARKIN. The Congress and the President of the United States have both solemnly declared on numerous occasions that they had no desire to injure domestic industry. President Truman stated so in his message to Congress urging extension of the Trade Agreements Act in 1948.

I quote:

> I assured Congress when the Reciprocal Trade Agreements Act was extended in 1945 that domestic producers would be safeguarded in the process of expanding trade. That commitment has been kept. It will continue to be kept.

I may note we borrowed his word "safeguarding" in the legislation we are proposing.

The Senate Finance Committee in 1955 declared that it approved H. R. 1, with the desire that trade can be expanded "without serious injury to any segment of our economy."

President Eisenhower has declared that—

changes which would result in the threat of serious injury to industry or general reduction in employment would not strengthen the economy of this country or the free world.

In view of the general agreement on principle, there is need of finding a formula which would more adequately establish this objective than is the case with the operation of the present escape clause.

The proposal which we offer would be to substitute for most of the present section 6 a new clause which would establish the following procedure and principles:

1. The Congress would establish a safeguarded level of national production for all basic and essential industry. This safeguarded level would represent historic output such as the average production for 1954–57. This level would be defined in physical units of output.

2. The United States Tariff Commission would be charged with establishing whether the protection of such safeguarded level of output required any increase in the rates of duty. Its findings respecting these rates shall be reported to the President of the United States and shall become effective unless the President shall recommend against them to the Congress of the United States. These higher rates shall be stayed for 90 days. The Congress of the United States would have to act by majority vote to sustain the President.

3. For the purposes of this action, the term "basic and essential industry" shall include industries which meet any of the following criteria:

(*a*) It produces goods required for, or employs persons with skills required for, national defense, or required for maintaining the balance and dynamics of the American economy;

(*b*) It is measurably more efficient and productive than foreign competitors and is undersold in the United States primarily because of wage differentials; but only if it provides technological and managerial leadership and design leadership to its competitors in other countries;

(*c*) For any reason, domestic or foreign, it is undergoing a serious upheaval resulting in plant closings, geographical migration, large-scale employee displacement, and marked increases in machine efficiency; or it is an industry in which large-scale investments are currently being made for modernization;

(*d*) It is located in (i) economically distressed or contracting areas, and/or (ii) single industry communities;

(*e*) Its producing units and capital resource are small and its work force of advanced age;

(*f*) It is an industry which is declining not only in the United States but also in the countries from which the product concerned has traditionally been exported to the United States.

You might be interested in the case of textiles; practically all competitive countries have declining textile industries, including Japan.

Senator ANDERSON. Including Japan?

Mr. BARKIN. Yes, sir. We would feel on that—I would submit substantial evidence to that effect, if you desire data to that effect.

Senator ANDERSON. Now, we just heard testimony that they had so many woolen looms, and now they have twice that many.

Mr. BARKIN. The woolen industry in the—in terms of the three major divisions, cotton, woolen, and synthetics, the wool is the expanding division, rayon is expanding, but cotton is contracting—but you take the industry as a whole, the textile industry of Japan as a whole, it is also a contracting industry.

Senator KERR. Even the American operators over there are doubling and tripling their productive facilities for the production of nylon.

Mr. BARKIN. Nylon, yes; but cotton is contracting and even rayon is contracting.

No domestic industry shall be treated as a basic and essential industry if the prices of its products have consistently risen, at a relatively higher rate than the rise in the general level of prices of products in the same group.

4. The determination as to what constitutes an industry for this purpose shall be made on the basis of the following criteria:

(*a*) Avoid making an excessively narrow application which identifies an industry with a specifically limited product; and

(*b*) Take into account whether, because of the insufficiency of alternatives for shifting or conversion of capital or labor, the industry shall be identified with all the products to which such capital and labor are devoted.

5. Whatever rate is set shall be designed to protect the safeguarded level of national production and shall apply to all imports during any calendar year after there has been imported in such year a quantity of the product concerned which, when subtracted from the domestic consumption for the immediately preceding calendar year, equals the average annual domestic production of the product concerned during the base period.

I will illustrate this shortly.

In an earlier draft of this proposal we suggested that the tariff duty to be applied to the safeguarded level revert to the rates existing on July 1, 1934.

We have altered this base date for the present proceedings believing that our alternative procedure would be more selective. We are quite ready to propose the use of the 1945 rates if the committee desires to adopt a simple rule and minimize the amount of work required to be referred to the Tariff Commission.

The special value of this proposal is that the safeguarding process allows for the development of a double rate structure under our tariff system. The higher rates are designed to protect the American safeguarded level of production and the lower is applied to the remainder of the imports. As a result these lower rates will apply to newer products and to the growth margin in American consumption.

The above formula would focus the impact of the imports to the United States upon the newer and expanding industries rather than upon the older ones already faced with their own internal difficulties.

Such free competition between the foreign and domestic producers of newer products or those with vast growth experiences would tend to insure real reductions in costs, and this is important, and induce foreign countries to invest in the newer industries where the opportunities for sound economic expansion for them really lie, rather than in the older traditional industries which will, in the long run, not even be rewarding to the foreign producer.

We do not believe that it is in Japan's own interest, or Italy's own interest, or Belgium's own interest, to select several countries, which have been doing some expansion in some sections of their textile industries, to continue to invest in the textile industry because in the not too distant future they will find foreign markets closed out to them so that it is unrewarding for them in terms of their own economy to use capital, the meager capital that they have, to develop an industry of such size that they have to depend on foreign exports.

In speaking to the Indians, I have made the same point and privately, may I say, that the more reflective men from these countries to whom I have spoken recognize the points, even though they express desperation as to how they are going to earn foreign exchanges if they don't at least try to push exports in these known areas.

But world trade in textiles will continue to decline, and any country that counts on increasing their foreign exchange in terms of new investment in textiles, is really doing itself great injury in terms of using its scarce capital.

This selective principle for the reduction of tariff rates would remove the fear of injury among the American producers, diminish the resistance to the lowering of rates in other industrial areas, and would open up untold opportunities for the expansion of trade among countries.

The application of this principle would at some future date leave a vast area of American consumption on the free list or with nominal tariff duties.

Such a program would constructively weld the free nations together, for it would minimize adjustment problems, Britain has got these adjustment problems, and Italy, and Japan has got these adjustment problems and if we develop these kinds of principles for guidance of the rest of the world, it would be a very constructive innovation, and would invite the various countries to exchange liberally and to seek the best markets for the hundreds and thousands of new products which are likely to be produced in the future.

It would represent a real dedication to the principle of liberal trade, rather than just an insistence on keeping all duties alive.

At the same time it would minimize the threat to those current industries which were developed and protected from foreign competition but which would be injured and seriously disturbed by foreign imports. The young, vigorous, and new producers, rather than the established industries, would carry the brunt of the adjustment.

Not only does this program define the policy for future tariff agreements, but prescribes a more precise formula for the application of the escape clause.

We believe that the incorporation of the above principle in our administration of the escape clause would do much to simplify the determination as to when a particular industry is entitled to protection.

The manner in which the double rate system would operate would be as follows, as I contemplate it:

An industry would apply to the United States Tariff Commission for certification as basic or essential. After such certification, the Tariff Commission would establish statistically the safeguarded level of production and the rate of duty to be applied to imports when they threaten such safeguarded level.

The Tariff Commission shall also determine for the year prior to the application of the procedure the level of domestic consumption of such products. When imports in this first year reach a volume so that when they are subtracted from the domestic consumption for the prior year, the balance equals the safeguarded level of domestic production, all additional imports shall enter this country with this higher rate of duty.

In each subsequent year, the Tariff Commission shall make a determination of the level of domestic consumption of the preceding year for use in the application of the formula. This procedure shall be a continuing one.

One important question arising in the administration of such a provision is the determination of the scope of the industry. Obviously an excessively narrow definition which identifies an industry with a specifically limited product is so restrictive as to be unrealistic.

The Tariff Commission has been wrestling with this problem and has, in fact, defined the products more broadly than the proponents of the original amendments of 1954, had intended.

It is necessary, therefore to clarify this point.

Actually, we are all concerned with a definition of an industry which truly constitutes a separable unit so that if it loses markets for any of its component products, there will be an insufficiency of alternatives for shifting or conversion of capital or labor with the result that serious injury of the nature defined above will occur.

In the textile industry, for example, velveteen is a distinctive industry because the equipment is not convertible, the looms and the processing is not convertible to the manufacture of any other product.

But when you get into the broader areas of textiles, we define them in terms of fineness of yarn, if you get into the print cloth classification of textiles, you have a separable group which covers a wide span and the technique for doing this is now implemented in the voluntary control system established by Japan.

This formula of definition of industry is not in effect under that voluntary agreement.

The American textile industry has recognized this principle in the broad fabric classifications used in the voluntary agreements with Japan. The quota arrangements have been set up for broad groupings similar in character to that adopted by the United States census of manufacturers which are the result of years of close study and consultation with producers, sellers, buyers, and workers.

The purpose of the definition is to ascertain an area in which ready transferability occurs for capital and labor. The more specialized the labor and capital is, the narrower must be the industrial definition. The aim is to measure the impact of imports and the injury these inflict. If the imports are beginning to exceed the safeguarded level for an industry there should be the type of protection which we have outlined.

We urge that the above program would not only facilitate the administration of the escape clause but also give meaning to the concept of the peril points.

The American industry as well as foreign traders will be more certain of the nature of American foreign policy.

Frankly, it might very well be possible under those circumstances to have a 5-year extension, but if you don't have some precise rule

of this kind, I think it is foolhardy to conceive of the present bill trying to realize the objectives which are purported to be inherent in them, that is the prevention of injury.

The essential purpose of the above provision is to assure the established production level a chance of maintaining its hold of the domestic market and is not abusing this position through monopolistic price policies.

On the other hand foreign producers will be able to share more freely in the competition for the area of growth in American consumption on existing products and in the markets for the sale of new products.

One final comment which might be relevant: Referring back again to the question of statistics, new products in this country require high capital investment per worker in industry and one of the difficulties of creating an equivalent number of jobs for each one displaced by imports is that you may have as much as 2, 3 and even 4 times as much capital per worker in the new industry as you did in the old, and my calculations, and my estimates in this field indicate that the high capital demand of these new industries inhibit the possibility of equating the creation of new jobs for old jobs.

And this is the tremendous task with which we are confronted.

We hope that this formula which we have proposed, which we have discussed with many men, and many men have had a hand in shaping it in its present form, will provide you with some guidance as to what we think represents a fair way of giving Congress the means for implementing and making practical the intent of the escape clause and the peril points.

Thank you, sir.

Senator ANDERSON. Mr. Barkin, it's been a most interesting suggestion and I think a valuable one.

Now, in order to let the people know what our program will be, when the questions of Mr. Barkin are finished, we will adjourn until 2:30 p. m., this afternoon.

Are there any questions?

Senator KERR. No questions.

Senator ANDERSON. Senator Douglas.

Senator DOUGLAS. No questions.

Senator ANDERSON. Thank you very, very much for an interesting report.

(Whereupon, at 12:30 p. m., the committee adjourned to reconvene at 2:30 p. m., the same day.)

AFTERNOON SESSION

Senator KERR. Mr. Berkowitz.

STATEMENT OF MAX BERKOWITZ, DIRECTOR, NATIONAL AUTHORITY FOR LADIES' HANDBAG INDUSTRY

Mr. BERKOWITZ. Mr. Chairman and members of the Senate Finance Committee, my name is Max Berkowitz. I am the director of the National Authority for the Ladies' Handbag Industry, a national trade association of 250 handbag manufacturers. Our address is 347 Fifth Avenue, New York, N. Y.

Our aim in appearing before the committee is to express our views concerning the trade agreements bill recently passed by the House. We are particularly concerned with the provisions which extend the President's authority for a period of 5 years to cut tariffs up to 25 percent of rates existing on July 1, 1958.

This feature we find objectionable, and, as to this, wish to register our disapproval. We also find objection to the escape-clause features of the bill, and, therefore, oppose passage of the bill in its present state.

It is our contention that trade concessions hitherto granted have resulted in a marked increase in imports, to such an extent as to cause serious injury to the domestic handbag-manufacturing industry generally, and very serious injury and crippling effect on the domestic handbag manufacturers of leather handbags. The domestic leather handbag industry is in a most depressed state.

The rate of duty on handbags made from leather is presently 20 percent. Under the Tariff Act of 1930, it was 35 percent, a reduction of 43 percent. The rate of duty on handbags made of reptile leathers is 17½ percent. Under the Tariff Act of 1930 it was 35 percent, representing a reduction of 50 percent. The rate on reptile handbags imported from Cuba, a principal source of these imports, is 14 percent under the preferential treatment afforded Cuban imports.

The steady and continued increase of imports of handbags in the past few years has placed the domestic industry at a decided disadvantage.

Imports of leather and reptile handbags have risen from 520,453 units valued at $2,960,701 for 1951, to 2,750,373 units valued at $7,238,328 for 1956. As concerns units there was a 428-percent increase and as to dollar value a 145-percent increase.

This is an alarming increase with most serious harmful effects upon the domestic manufacturing industry. Just recently, the Department of Commerce prepared a pamphlet, titled "Foreign Trade Impact Study, New York City, N. Y.," which lists the handbag industry as one of a group of industries in New York City adversely affected by import competition. This is putting it mildly.

In 1951 the average unit price was $5.69 per handbag. In 1956 the unit price went down to $2.63 per handbag. In these past few years while the costs of material and labor have consistently risen for the domestic manufacturers, the unit price on the imported handbags has followed a downward pattern.

Further aggravating this problem is the fact that more and more retailers are clamoring for foreign-made leather handbags and have increased their promotional activity to the extent that hardly a day passes but that the stores advertise Italian handbags and French handbags to the exclusion of all others.

Investigation, upon even a superficial basis, will show an avalanching number of stores throughout the country are advertising and promoting foreign-made handbags. The Macys, the Gimbels, the Ohrbachs, the AMC chain and many other chains of department stores are featuring, almost daily the imported leather handbags.

The big stores, the big buying officers and big chain outlets, have been and are presently sending their representatives abroad in increasing numbers. This has started a chain reaction, and smaller stores

are more and more clamoring for foreign leather handbags, mostly because they are compelled to meet the competition that has come into being as a result of these imports.

It is because the handbag industry is in this depressed state and so sensitive to the slightest change that we are opposed to a bill which grants the President the authority to further reduce the rate of duty. Any change downward, however slight, could spell doom for a goodly number of manufacturers and employees. Even if the authority to reduce the rate of duty on handbags is never invoked, the right, if present, would be just as objectionable, because the industry would always be in a state of fear that they might become the sacrificial lamb.

As concerns the escape-clause features of the bill, we believe the bill in its present state makes it almost impossible to be upheld in an escape-clause application, even when imports in increased quantities have caused serious injury to the domestic industry.

Back in 1955, our association requested the Tariff Commission to institute an investigation to determine whether imported leather handbags were causing serious injury to the domestic industry, under the escape clause of the present law.

The Tariff Commission sent a most searching and voluminous questionnaire to the industry. It required information that went back 6 years in the recordkeeping of the manufacturers. It sought details and records of a nature that only a handful of firms kept. The handbag manufacturers are very-small-business men.

The information sought by the Tariff Commission required the manufacturers to spend hours in supplying this information. It required the services of accountants to do justice to the forms. This literally scared off the domestic manufacturers, with the result that the Tariff Commission dismissed our application.

We, therefore, urge an escape clause with reasonable features to prove a case of injury. The present clause and the one contained in H. R. 12591 are too burdensome and onerous.

If the present rate of increase of imported leather handbags were to continue, and assuming that they were clearly and undeniably imported in such great numbers that there was no question but that they caused injury of a crippling nature to the domestic industry, under the present escape clause, we would still be unable to prove our case. We would be sacrificed as an industry. We believe the escape clause should be liberalized, and made less formal, to permit shall industries to get out from under an avalanche of imports.

Thank you, Mr. Chairman, and members of the committee, for this opportunity of appearing before you today.

Senator KERR. Thank you, Mr. Berkowitz.

Is there a question?

Senator CARLSON. Just this, Mr. Berkowitz. I don't know that Mrs. Carlson knows anything about the reciprocal trade agreements and the number of bags they import, but every time she comes home with a new bag, she never hesitates to complain about the 20-percent excise tax and I, being a member of the committe, she takes it out on me.

Mr. BERKOWITZ. I don't blame her, sir, and I agree with her. I know you have been very kind to help us in many, many cases.

Senator CARLSON. That is all, Mr. Chairman.

Mr. BERKOWITZ. Mr. Chairman, may I add a word more?

Senator KERR. Yes, sir.

Mr. BERKOWITZ. I want to take this opportunity to express my appreciation to the staff of the Senate Finance Committee for their cooperation and their kindness and the fine treatment they have always given me when I appeared here in Washington for the last 25 years.

Senator KERR. That is very very nice of you to say that, sir.

Mr. Edwin Wilkinson.

STATEMENT OF EDWIN WILKINSON, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF WOOL MANUFACTURERS

Mr. WILKINSON. I am Edwin Wilkinson, executive vice president of the National Association of Wool Manufacturers. We are very grateful for this opportunity to appear and present our views to this committee.

The National Association of Wool Manufacturers is a trade association with headquarters in New York City. Its membership comprises about 70 percent of the industry processing fibers on the woolen and worsted systems of manufacture.

The association opposes on several grounds the extension of the trade-agreements program as proposed in H. R. 12591.

Constitutional objection: The Constitution of the United States provides that Congress shall have power to regulate commerce with foreign nations. To the extent that Congress delegates or surrenders this clearly established authority and responsibility we witness the erosion of constitutional government.

We believe that in the broadest national interest Congress should effectively recapture its constitutional authority. Moreover, this reassumption of authority should go beyond the mere "doctoring" of the escape clause procedure such as has occurred in the instant proposal.

We believe that, to preserve this responsibility Congress must recapture its authority over any changes in duty rates, procedures, and regulations.

In our judgment, the doctored escape clause procedure in this measure, requiring a two-thirds vote of both Houses of Congress to override the President's disapproval of a Tariff Commission finding, is both unrealistic and inadequate.

Bound up, as it is, with several pages of procedural regulations is appears to be of value only to the proponents of free trade who may now acclaim it a magnanimous concession to those in industries highly sensitive to unfair import competition.

On the other hand, it is an admission that on the record the past escape clause procedure has fallen far short of achieving congressional intent. It has none of the substance necessary to restore confidence in our foreign trade policy in industries, such as ours, that have experienced at first hand the withering competition of low-wage foreign imports.

Economic objection: The members of our industry fail to see the wisdom of our Government pursuing at one and the same time, with respect to domestic commerce and foreign trade, diametrically opposed policies.

On one hand the Congress, in the name of fair competition, under the Fair Labor Standards Act (and similar measures), erects barriers,

in the form of State boundaries, to the flow of goods manufactured in American plants failing to meet prescribed Federal minimum labor standards.

On the other hand, Congress delegates authority to another branch of Government to encourage, aid, and abet the flow of goods made abroad under labor standards that do not represent even a respectable approach to our minimum labor standards.

We submit, no course of action could be better calculated to discourage investment, exploration, and development.

Senator KERR. Do you want to add there within the United States?

Mr. WILKINSON. Within the United States, I would happily add that, sir.

In an industry such as ours, an industry acknowledged by the Office of Defense Mobilization to be an essential industry in our defense posture, this is a matter of extreme importance. Much more than the personal fortunes of the investors, managers, and employees is involved. There is the matter of national security.

In pursuit of what we considered to be our public responsibility we have called to the attention of the Director of Defense Mobilization the severe contraction that has occurred in our industry since 1946—a 50 percent contraction to which, we believe, imports have contributed and which, we further believe, may imperil our security if not checked.

I would be less than frank if I did not report that the ODM Director found, despite this contraction, and, based on certain estimates, our present plant is adequate for direct military requirements.

I would be derelict in my duty if I left you with the impression that our concern has been allayed by the Director's findings.

Senator KERR. You think then that the national security involves other things with reference to an industry than its ability to furnish just the military requirements of the country at war.

Mr. WILKINSON. More than just the direct military requirements; that is correct, sir.

Senator KERR. I think the position is sound.

Mr. WILKINSON. At this point I would call your attention to the booklet which we submitted to the Office of Defense Mobilization, Danger Ahead—50 Percent Contraction in the Wool Textile Industry. Such data as could be brought up to date is covered in exhibit A attached to this statement.

I would call particularly your attention to the change in the machinery loss. In other words, there is nothing to indicate that this trend to liquidation has been terminated.

Senator KERR. In other words, you think the statement I made here this morning that indications are it is a vanishing or disappearing industry was not entirely without foundation?

Mr. WILKINSON. There has been nothing that has occurred to suggest to us that it has reversed the direction.

Senator KERR. The trend?

Mr. WILKINSON. That is correct, sir.

Senator KERR. All right.

Mr. WILKINSON. On page 6 the data is outlined there in exhibit A but in summary let us just point out that the reduction in broadlooms is now 51 percent.

Senator KERR. Page 6?

Mr. WILKINSON. Page 6 of this booklet, sir, where we have charted the decline.

The decline in worsted spindles is now 63 percent instead of the 50 percent there indicated.

Senator KERR. And the first one instead of 45 is what?

Mr. WILKINSON. Fifty-one percent.

Senator KERR. The other is 63?

Mr. WILKINSON. The other is 63 percent, and in woolen spindles the decline instead of 53 percent is 57 percent.

The decline in worsted combs is now 59 percent instead of 44 percent. Similarly, the production chart on page 7 we find that the figure for 1957 is 20 million linear yards, which represents a production drop of 46 percent instead of the indicated 41 percent.

The import figures are given there. I shall not take the time now and impose on the committee by indicating the corrections, but with relation to the question that were raised earlier this morning, I would like to indicate that while our industry has been contracting, the Japanese, one of the newest arrivals and most severe arrivals on the scene have been expanding their physical plant.

I will give you the data from our bulletin, which has as its source the Commonwealth Economic Committee, and I will start with the year 1952.

Senator KERR. You are going back now to your statement?

Mr. WILKINSON. No, sir; I am speaking extemporaneously. Japan in 1952 had 10,775 broadlooms. By 1955 that figure had increased to 24,853 broadlooms. The figure that we have for 1957 is approximately 27,000 broadlooms. The disparity in that figure and figures put in the record earlier this morning I think may be attributed to the fact that in these figures we exclude those looms occupied on the manufacture of carpets, carpet looms. These are the apparel cloth looms.

I shall not at this time read in the additional corrections and updating of "Danger Ahead," but I would like to deal with this question of synthetic competition that is constantly brought up when one speaks of the contracting wool textile industry.

Some import interests and clothing manufacturers constantly throw this out as the explanation of our difficulty. As an explanation, we think it is quite inadequate.

In the first place, there was an increase over the past 10 years of more than 50 million pounds in the use of manmade staple fiber and tow in the spinning of yarns on the woolen and worsted systems for other than carpets and rugs.

Senator KERR. Is that pounds of woolen fiber?

Mr. WILKINSON. This is the pounds of synthetic fiber which our mills employed.

Senator KERR. I thought you said there had been a decrease of 50 million pounds. What was that?

Mr. WILKINSON. No; there has been an increase.

Senator KERR. An increase?

Mr. WILKINSON. There has been an increase over the past 10 years of more than 50 million pounds in the use of man-made staple fiber and tow in the spinning of yarns on the woolen and worsted systems for other than carpet and rugs.

Senator CARLSON. Can you give us the figures on carpets?

Mr. WILKINSON. I do not have the carpet and rug data, sir.

Secondly, this explanation lacks corroboration in the poor business conditions among the weavers of man-made fiber and silk broad-woven fabrics. The output of broad-woven fabrics wholly or chiefly by weight of man-made and silk fiber or filament yarns during 1956 was below that of the 7 of the 10 preceding years, and was 13 percent below that of 1950.

During the first 9 months of 1957 the rate of output was below that of 1956.

Third, in addition to glossing over imports putting all the blame on synthetics ignores numerous other factors such as the effect on wool prices of Government buying and statements of stockpiling during the Korean war. It ignores revolutions in the manufacturing technology, the relocation of the industry and the changes in American living habits.

Mr. Stevens, who is your next witness, is involved with all these fibers, and will speak with much more direct authority than I.

This booklet, Danger Ahead, involves to a large degree, matters which can be measured and plotted on the basis of past and existing records. What cannot be measured or plotted is the attitudes created in the minds of our members as they listen to the endless propaganda issuing from high Government officials and the various agencies of Government supporting this proposed extension and as they witness its progress through the Congress.

From my day-to-day contacts with these people I can assure you the effect is one of deep discouragement leading to the frustration and disillusionment that breeds stagnation or what is worse—liquidation.

Until and unless Congress demonstrates a determination to reassert its responsibility in formulation and administration of our foreign trade policy, I predict without hesitation that this trend in liquidation will continue, blighting employment, tax revenues, and in many communities, the main sustaining industry.

It is true our association has stood in opposition to this trade agreements program from the start. We have had good reason. We have been keenly sensitive to the inroads foreign nations could make upon our domestic market, practically our sole market, once freed of the preoccupation with preparing for or waging war, or the preoccupation with the filling of the vast vacuum for wool textiles created by the destruction of wars; wars which incidentally, were not averted by this program despite its early supporting slogan, "World Peace Through World Trade."

Attempts have been made to discredit our position by contrasting it with the support for the program that has come from so-called heavy industries; but now we see the basic fallacy of this program becoming manifest elsewhere.

Revere Copper & Brass, Inc., was reported in the Wall Street Journal on May 12 to be cutting prices "because of imports at quotations sharply below United States prices." Mr. C. A. Macfie, president of the company, is quoted:

> Labor rates in our mills are 3 to 8 times higher than those of the foreign manufacturerers. This poses a real threat to the domestic copper and brass industry * * *

Similarly, Roger M. Blough, chairman of the board, United States Steel Corp., has reported sharp increases in steel-barbed-wire imports at $40 per ton below comparable domestic wire.

Mr. Blough indicated that had this imported barbed wire—some 64,000 tons—been made here it would have represented about $6 million additional in American steelworkers' pay envelopes.

In short, we would have had the wire, the pay, and the taxes and other collateral benefits, and the employed steelworkers would have been better customers for our industry just as our workers are better customers for the consumer products of these heavy industries—if employed.

The General Electric Co. is reported to have come to the belief that rising imports of heavy electrical-power equipment pose a threat to national security and should be curbed under the national defense clause.

Gentlemen, we suggest these are but portents of more to come if we continue to expand the paradox of our domestic and foreign trade policies.

Further, we reject the proposition that the resolution of this paradox lies in so-called "trade adjustment" proposals which encompass some form of Government aid in retraining workers, in relocating industries, in modernizing plants or methods, or even direct subsidies. Such largesse by Government is not only in many ways undesirable and impracticable but also would be self-defeating. They serve only to highlight the basic contradition in our trade policies.

Who gains, for example, if we say to the world, "send us your wool textiles," cut our tariffs for this purpose, and then in turn subsidize our domestic wool textile industry so as not to be displaced by imports in our own market? Are we to believe our foreign friends will not see through, will not resent, this kind of sham? Of course they will. They have, in fact.

For example, there was immediate reaction to the administration's minerals subsidy plan—both abroad and at home. Said Britain's Mining Journal:

> If the scheme offers a subsidy which is a potential threat to the trade of another country, it will almost certainly be a contravention of the General Agreement on Trade and Tariffs (GATT).

At home, R. S. Reynolds, Jr., president of Reynolds Metals Co., asserted the metal-subsidy proposal discriminated against aluminum. Now, we understand, aluminum is to be included if the metals-subsidy plan goes through.

We must protect competitive American industries from unfair low-wage competition from abroad by more realistic tariff policies. If we continue to make insincere gestures toward free trade, in a world not ready for free trade, cutting tariffs and then subsidizing affected industries, we will be forced to abandon our American enterprise system.

The United States has twice served as the arsenal of democracy. If we are to serve the cause of a just and lasting peace we must preserve our strength here. We cannot do this by exporting our essential industries.

Further, should we socialize these industries to preserve them, has not the battle already been lost?

General objections: This bill has not been clearly represented. It is referred to as a "5 year" extension. Actually, if I understand the language, the tariff reducing authority it would extend can be used up in 3 years. What then? If the past be prelude, then you will be confronted with demands for additional tariff-cutting authority prior to the end of the 5-year period when the bait is all gone.

On the other hand, should world events defer the immediate utilization of this tariff-cutting authority, the President could, immediately prior to June 30, 1963, enter into agreements that could have 5 years to run, making this measure potentially effective for 10 years. On both counts we deem this measure unwise.

Commencing July 8 before a special Senate Interstate and Foreign Commerce subcommittee it will be the Senate's purpose—

to conduct a full and complete study of all factors affecting commerce and production in the textile industry of the United States.

In this connection Senator Norris Cotton of New Hampshire has said:

As a Nation, we simply cannot afford to let this basic industry perish.

Senator John O. Pastore of Rhode Island has described the basic purpose of the investigation:

to analyze the cause of the decline of the American textile industry and consider possible cures.

Further, Senator Cotton has said:

* * * the industry cannot be cured in a single stroke.

Gentlemen, the greatest malaise affecting the wool-textile industry in general is the lack of confidence in our foreign-trade policy as charted in the bill before you. Deal effectively with this measure by recapturing your constitutional authority over our foreign-trade policy; give us reasonable expectation of fair foreign competition, and the effect will be singular—and to the national benefit.

(Exhibits A, B, and C are as follows:)

EXHIBIT A

JUNE 1958 DATA ON "50 PERCENT CONTRACTION IN THE WOOL TEXTILE INDUSTRY—DANGER AHEAD"

Page 5. "Where the industry is located": As of December 1957 the distribution is as follows: New England, 44 percent; South, 32 percent; Middle Atlantic, 18 percent; North Central, 5 percent; West, 1 percent.

Page 6. "Machinery loss over 50 percent since 1946": The 1946 and 1955 figures as charted are repeated here with the addition of the years 1956 and 1957.

Year	Broadlooms (in thousands)	Worsted spindles (in millions)	Woolen spindles (in millions)	Worsted combs (adjusted basis in hundreds)
1946	37.4	1.92	1.46	19.7
1955	22.0	.95	.69	11.1
1956	19.4	.81	.63	10.0
1957	18.4	.71	.63	8.1
Decline, percent	51	63	57	59

Page 7. "Cloth production, employment drop sharply": The 1940 and 1956 figures as charted are repeated here with the addition of 1957:

	Million linear yards
1940	604
1956	350
1957	329

Production drops 40 percent.

Pages 8 and 9: "Wool textile imports hit United States from East and West".
Page 8:

	Pounds
Yarn imports, 1957	2,300,000
From Japan	700,000
From Belgium	500,000
From Germany	400,000
From France	200,000
From U. K.	400,000
The footnote on Japan for 1957 should show:	
Wool yarn	700,000
Wool knit items	1,500,000

Page 9: "Imports of woven wool cloth jump 678 percent to 32,235,000 yards in 11 years.

1957 main sources

	Yards
Britain	15,600,000
Japan	7,800,000
Italy	3,800,000
France	1,300,000

Page 10. Loss $26,836,000 in 1954.
Page 11. "The threat to national security":
1957 broadlooms, 18,400; lost capacity, 20,600.
1957 total production: 317 millions of linear yards.

EXHIBIT B

[Emphasis added]

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF DEFENSE MOBILIZATION,
Office of the Director,
Washington, D. C., January 6, 1958.

Mr. EDWIN WILKINSON,
Executive Vice President,
National Association of Wool Manufacturers,
New York, N. Y.

DEAR MR. WILKINSON: On March 14, 1956, your association requested the Director of the Office of Defense Mobilization "to investigate or reappraise what the petitioners consider to be the threat to national security presented by wool textile imports, within the meaning of section 7 of the Trade Agreements Extension Act of 1955."

Accordingly, investigations were set in motion and included, on June 3–4, 1957, public hearings on your petition. Since that time, additional and more current information has been sought and obtained, other agencies of the Government have been consulted and an analysis has been made of all the evidence available. This review and analysis have been directed at the material presented, and at the various viewpoints expressed, as well as at other pertinent factual data.

It should be noted, however, in conformity with the legal responsibilities of the Director of the Office of Defense Mobilization, that *our study has been confined to the national security implications* of the imports in question in relation to the domestic wool textile industry.

We accept the general premise you stated that "past experience in national emergencies has established beyond reasonable doubt *that an adequate wool textile industry is essential to national security.*" At the same time, past mobili-

sation experience is no longer an adequate guide to many specific current or potential national security decisions.

Thus, in the national security sense, even though we can concur in your general premise, we have been required to examine it in the light of current or projected mobilization requirements for wool textiles. On that basis, we have found that while the domestic wool textile industry will continue to be essential to effective national security it will represent a smaller factor in national defense planning and operations than in recent periods of mobilization.

Under these circumstances, we have investigated further your statement that "the wool textile industry has contracted severely since World War II to a point where there is grave doubt that it could meet mobilization requirements in a national emergency." In our judgment, based upon examination of the information available, your conclusion cannot be supported.

Fundamentally, our position rests upon the fact that military requirements for woolen and worsted fabrics under mobilization conditions are now drastically reduced from previous emergency levels. Although the figures are necessarily classified, *an interim Department of Defense estimate shows that military mobilization needs, as computed currently, have dropped to levels less than half of those formerly indicated to be necessary in emergency.*

Therefore, despite contractions in the wool textile industry since World War II (contractions caused by a variety of factors), *the industry's current and foreseeable productive capacity remains several times greater than direct military requirements.* Likewise, in a mobilization period permitting substantially full though allocated production, the industry's estimated productive capacity, both existing *and new*, appears to be more than sufficient to provide for all domestic and export requirements.

Finally, we have sought to discover the extent to which, as you put it, "imports have contributed to the industry's contraction and now stands as an effective bar to any expansion of industry capacity and one of the most important prospective factors in determining whether or not there shall be even further contraction in the dangerously low capacity level." We have found it impossible to concur fully in this statement, but neither can we discount it completely.

Many factors have clearly contributed to contraction in the domestic wool textile industry: a decline in consumption and demand since the peak postwar years, higher costs and prices, and the development of and shifts to synthetic fabrics, among others. *No doubt the level of imports has also been a factor, although one having an uneven impact within the industry.* In addition, the trend of imports is unquestionably an important element for some companies as they discuss decisions affecting contraction or expansion.

On balance, however, *we have been unable to conclude that the level of imports of wool textiles has of itself caused severe contractions in the domestic wool textile industry.* As a matter of fact, in 1955 and 1956, when imports of woolen and worsted goods had reached the highest annual levels, recorded, total domestic production actually reflected a 2-year net increase—an increase which in total was larger than the total import volume for those 2 years. Wool textile imports have risen gradually in recent years but, on the basis of the most current figures available, still represent only about 7 percent of domestic wool textile production.

In view of these and related facts, I do not have reason to believe that the level of imports of wool textiles threatens to impair the national security.

Sincerely yours,

GORDON GRAY, *Director.*

EXHIBIT C

NATIONAL ASSOCIATION OF WOOL MANUFACTURERS,
New York, January 14, 1958.

Hon. GORDON GRAY,
Director, Office of Defense Mobilization, Washington, D. C.

DEAR MR. GRAY: This relates to your letter of January 6, 1958, in response to our petition of March 14, 1956, by which you have advised us, and publicly announced, that you do not have reason to believe that the level of imports of wool textiles threatens to impair the national security.

No individual or group of individuals could be more anxious than we in hoping that your present conclusion is right, in the public interest. However, we note that your decision is fundamentally based on a classified interim estimate by the Department of Defense. Because this is an interim estimate we

presume it is subject to confirmation or revision. Meanwhile, because of the nature of this problem, we offer the following observations on other points raised by your letter.

I. FULL PRODUCTION

Your conclusion is predicated, in part, on your belief that in a mobilization period we may rely on substantially full production on existing and new capacity through allocation and achieve all our domestic and export requirements for military and civilian use. This assumption, in our judgment, is open to question on the basis of past experience in war emergencies. The fact is that, with all the controls of manpower and materials in effect for World War II, at no point did the industry approach full production.

Because your premise involves substantially full production on existing productive capacity and, in addition, on new capacity of undisclosed size, we are unable to appreciate how you arrive at your conclusion.

In the past, textile machinery manufacturers were turned to the manufacture of military hardware and implements of war. It is our assumption they may well be recalled to these tasks. We, therefore, question the wisdom of relying upon these sources for new equipment virtually under a crash program, if that is contemplated.

II. FORESEEABLE CAPACITY

We make no claim to superior powers of prediction. Your prediction that the "foreseeable productive capacity remains several times greater than direct military requirements" is based, in part, on information not available to us. However, as respects the nonclassified data on which this assertion rests we believe we are, in modest measure, qualified to offer some words of caution. It is our considered judgment that the Government's action on the implementation of the tariff-rate quota (Geneva reservation) for 1958 and thereafter will have appreciable effect on the rate of industry contraction in the foreseeable future, as will the course of imports of wool textiles of all kinds. We observe an attitude of discouragement and frustration in the industry with respect to Government's disposition to deal effectively with these matters which, if not checked, may so accelerate the course of liquidation as to substantially change our capacity to produce and thus invalidate all predictions.

III. IMPACT OF IMPORTS

As you recognize, imports of wool textiles have an uneven impact within the industry. In 1957 the tariff-rate quota appears to have had the capacity to check the upward surge of overall wool cloth imports. It is, however, a limited remedy as it applies directly only to woven fabrics. Of itself it offers no solution to the problem posed by imports of apparel and knit items, yarns, and semimanufactures. Precently, various factors may have slowed the upward surge of imports of some of these latter items but we would point out that such deterrents may be temporary. Should they disappear or diminish there is now no effective, timely bar to keep them from resuming their alarming growth. Our reduced duties are inadequate to offset the vast wage gap advantage enjoyed by our foreign competitors.

Furthermore, as presently administered, the tariff-rate quota fails to take into account the uneven impact of imports in the area of woven wool cloths. It is our considered judgment that unless this fault is corrected in 1958 its capacity to alleviate the injurious foreign competition confronting many weaving mills, which are sources of military requirements, is doubtful.

IV. LEVEL OF IMPORTS

Implicit in the statement accompanying our 1956 petition and in our statement at the hearing in June 1957, is the thesis that increasing imports contribute to the contraction of our productive potential. In other words, we are not only concerned with the absolute volume of imports but also with their precipitous increase and their uneven impact on our mills.

This letter is written with the full concurrence of the members attending our executive committee meeting today. Because you accept our general premise that an adequate wool textile industry is essential to national security we urge ODM to keep under constant surveillance the effect of imports on the industry and hence on national security. To this end we will consider it our responsibility

and duty to continue to supply you with all material data and to keep you apprised on the unmeasurable psychological factors bearing on this matter of public importance.

Respectfully,

EDWIN WILKINSON,
Executive Vice President.

Senator KERR. Thank you very much, Mr. Wilkinson.

Are there questions?

Mr. WILKINSON. If I may just add in conclusion, sir, if it seems unlikely that this committee is to report out a new concept of a trade policy, we would like to endorse the four recommendations that have been advanced this morning by the American Cotton Manufacturers Institute as going in a direction that would give some reasonable modification of this current proposal. Thank you very much, sir.

Senator KERR. Thank you, sir.

Mr. Stevens.

STATEMENT OF ROBERT T. STEVENS, PRESIDENT, J. P. STEVENS & CO., INC.

Mr. STEVENS. Mr. Chairman and members of the committee, my name is Robert T. Stevens. I am president of J. P. Stevens & Co., Inc.

We are manufacturers and distributors of textile fabrics made of wool, of cotton, and of synthetic fibers.

This is Mr. J. R. Franklin, Senator Kerr, from my office, an assistant.

I am most appreciative of the opportunity to appear before this distinguished committee in connection with your consideration of the extension of the Trade Agreements Act.

I am keenly aware of the heavy demands on the time of congressional committees and on individual Members of the Senate and the House. Accordingly, my remarks will be brief considering the importance of the subject at hand.

Having served the Government under both Democratic and Republican administrations from time to time over the past 25 years, I have some understanding of the broad problems our country faces, including its foreign trade policy.

I recognize the extent to which foreign trade policy becomes an integral part of overall foreign policy.

Therefore, although I personally believe our present foreign trade policy is harmful to a dynamic American economy, I do not appear here in any effort to kill the act. Rather, I appear here as one who would like to see the legislation extending this act amended in such a way as to provide a greater measure of consideration for—

1. Our national-defense posture.
2. The American worker.
3. Truly reciprocal treatment for American exports.

I come before you as an individual American citizen engaged in the textile business. I do not represent any group or organization. I do, however, speak in behalf of the 30,000 workers in our company, most of whom have been faced with short-time operations in varying degrees.

We have struggled very diligently in our company to keep our people fully employed. While we meet a substantial payroll every week, the payroll is not as large as it should be in order properly to provide for these thousands of American families who are dependent upon our company's efforts. They should have full-time operations.

These families are located in Maine, New Hampshire, Massachusetts, New York, New Jersey, Virginia, North Carolina, South Carolina, and Georgia. Their fortunes rise and fall with the tides of the industry and, unfortunately, textiles have not known good times for several years.

Cheap imports have played an important part in this unhappy state of affairs.

Wages paid to workers abroad, making all kinds of imported goods, range from 35 cents or 40 cents an hour down to about 8 cents per hour. By comparison I am sure it is unnecessary for me to cite the hourly rates of the average worker in the United States.

No amount of technological improvement in processing can compensate for those wage differentials, in the light of what is known about present-day equipment here and abroad.

As a matter of fact, some foreign countries have very modern, new equipment that was partly paid for by the American taxpayer. How can we as a nation give money, know-how, and lowered tariffs to our friends abroad, and, with their low wage rates, not have trouble here at home?

I do not contend that the only problem faced by the textile industry is the problem of foreign competition. I do say, however, that the record shows that imports have increased dramatically over the last several years. As one who is in daily contact with the primary textile markets, I know firsthand what the impact of these imports has been. They have wrought damage on an industrywide basis far beyond what would seem possible when the absolute figures of these imports are considered alone.

Furthermore, while cheaply made cotton textile imports from Japan have been the principal source of our trouble, our markets are wide open to invasion from India and other low-wage areas where local textile industries are being steadily enlarged.

After a long and painful period of effort, our Government worked out a voluntary quota on cotton textile imports with the Government of Japan. This has been in effect for a year and a half and has worked reasonably well, although there have been problems involved with transshipments of merchandise and garments through third countries

This voluntary quota, however, must be considered as tenuous in character, and it applies only to cotton-textile imports and only to Japan. In addition, Japan has now made serious inroads on the American woolen and worsted business and our plants, especially those in New England, have been seriously damaged by this competition. About 3,000 of our workers are located in New England, and we are determined to do everything in our power to preserve their jobs for them.

Too many textile workers are already unemployed.

The mortality rate among New England woolen and worsted mills has been nothing short of tragic. Almost half the industry has been liquidated since World War II. Having served the Army three

times, once in World War I, once in World War II, and again as Secretary of the Army, I believe I have more than an average appreciation of what the combined textile industries of the United States have meant in doing the job for the arsenal of democracy in two world wars and the Korean conflict. It is unthinkable to me that any further segment of the industry should be considered expendable. I contend that what is left of the textile industry today is already below the minimum essential for the adequate defense and survival of the United States.

If we are to have a healthy textile industry during any future emergency, it would be wise for us to stop exporting textile jobs abroad, as happens when textile imports are increased.

There are many figures which can be cited about the industry, but I will mention only a few.

Since World War II, this is what has happened:

(*a*) Employment in the textile industry has declined by 345,000 jobs.

(*b*) 717 textile mills have closed.

(*c*) The number of spindles in place in American cotton mills has declined by 2,375,000.

(*d*) Imports of cotton textile yardage have increased from 15,962,000 in 1947 to 122,444,000 in 1957. The total value of all imported cotton manufactures increased from $24 million in 1947 to $136,163,818 in 1957.

(*e*) Imports of woolen goods increased from 4,635,000 square yards in 1947 to 32,313,000 square yards in 1957. The total value of all imported woolen manufactures increased from $33,100,000 in 1947 to $143,069,942 in 1957.

As regards employment, I would like to refer quickly to the oftenmentioned figure of 4.5 million Americans who depend upon foreign trade for employment. Any figures cited in this connection cannot be completely accurate because this is an area which is very difficult to break down or analyze. However, a recent Department of Labor study estimates that, of 4.5 million jobs depending on foreign trade, about 3.1 million depend upon exports and about 1.4 million are employed in the importing industries.

It is reasonable to assume that Americans will not stop drinking coffee, cocoa, and tea, no matter what you do with this legislation. It seems fair to assume that the 1,400,000 American jobs depending upon the importing industries are not likely to be affected very much.

With respect to the 3,100,000 depending upon exports, it should be pointed out that about 78 percent of our exports in 1957 were paid for with dollars that foreign countries earned from tourists, investments, and nondutiable products. Only about 22 percent of those working in the United States for exports are affected by the provisions of the legislation under consideration. The number of jobs affected, therefore, would be about 680,000 rather than 4,500,000.

I contend it is a fallacious argument to state that 4,500,000 American jobs are dependent upon the enactment of the administration bill.

Senator KERR. If you will permit me to interrupt, you contend that it is fallacious?

Mr. STEVENS. Yes, sir.

Senator KERR. I contend that it is false.

Mr. STEVENS. I think your word is better, sir.

The problem of cheaply made imports is the same whether it be in Rhode Island, Ohio, Georgia, or Oklahoma. Only the names of the products involved are different.

The blight is on a vast variety of items: textiles, machinery, machine and hand tools, chemicals, metals, cameras, appliances, ceramics, and countless others. We get the same end result whenever low-cost imports shut down our plants and mines and our people are put out of jobs.

As an indication of the lack of reciprocity in foreign trade, the following are examples according to a recent survey of the devices used to restrict our exports.

Sixty-two countries require import licenses to get goods into the countries; 46 require export licenses, sometimes tied up with stringent currency controls; 36 have restrictions on outgoing capital movements; 28 have restrictions on incoming capital movements; 33 have exchange licenses; 23 have multiple exchange rates; 9 have import quotas, but the import licenses operating in 62 countries are, in effect, just the same as quotas.

These commonly used devices refute claims that trade policies abroad are reciprocal. The record proves the reverse.

As regards possible amendments to H. R. 12591, I would suggest the following for your consideration:

1. Extend the act 2 years instead of 5.

2. Develop a joint legislative-executive function to share the responsibility for escape-clause decisions.

3. Permit no increase of tariff-cutting power at this time.

Senator KERR. Mr. Stevens, we have still got some tariffs.

Mr. STEVENS. Yes; we do have.

Senator KERR. How are they going to eventually eliminate them all if we stop any authority for reduction?

Mr. STEVENS. Senator Kerr, if you extended in the new act the existing authority that was extended and that still remains unused under the 1955 act, there will be plenty of area for tariff reduction.

Senator KERR. I would like to have somebody give me a recommendation that would point the way as to how we might restore it to about where it was before they had that last agreement over there in 1955.

Mr. STEVENS. I certainly would like to make a constructive suggestion on that.

Senator KERR. I would like to have it.

Mr. STEVENS. I will try to give you one, sir.

To extend the act for 5 years would be giving up a good bargaining point in the field of foreign trade at a time when we are approaching crucial climaxes in world affairs. This is both unnecessary and unwise, especially since shorter extensions of 1 to 3 years have been the established pattern. The following other points are worthy of consideration.

1. It is impossible to predict to what extent foreign currencies will deteriorate over even a 2-year period, with the attendant repercussions on foreign trade.

2. The character of our imports has been changing from raw and partly processed materials to more and more finished goods.

Senator KERR. I wonder if I can interrupt you there.

We will resume shortly.

(Short recess taken.)

Senator KERR. We will resume, Mr. Stevens.

Mr. STEVENS. Mr. Chairman, I was just at the point of discussing the 5-year extension.

The following other points are worthy of consideration.

1. It is impossible to predict to what extent foreign currencies will deteriorate over even a 2-year period, with the attendant repercussions on foreign trade.

2. The character of our imports has been changing from raw and partly processed materials to more and more finished goods. The industrialization of foreign nations will cause an even greater increase in manufactured imports with its resultant impact upon American employment. The period of extension should be as short as practicable in order to permit early evaluation of this growning trend.

3. The Export Control Act was extended on June 16 for a period of 2 years. This establishes a precedent which might well be followed in the extension of the Trade Agreements Act.

With regard to my second suggestion, to return to the Congress a share of the responsibility for determining escape-clause action, I believe that a simple, yet constitutional procedure can be developed. The history of relief under the provision of the escape clause from 1947 to December 1, 1957 is not what one could, from the standpoint of the American worker, describe as encouraging.

In that 10-year period, 84 applications for relief were filed. In 26 cases the Tariff Commission recommended favorable action to the President. Only 9 cases were approved.

I am confident in my own mind Congress intended that American workers would have reasonable protection by the device of the escape clause, just as it expected the Trade Agreements Act to be truly reciprocal.

I do not believe Congress expected the tariff structure to be eroded without effective recourse, nor did Congress contemplate that the bargaining sessions abroad would result in the sacrifice of so many jobs in important American industries. The resultant flood of imports is affecting so many kinds of American industry that effective escape-clause procedure is essential if we are to preserve our hard won American high standard of living.

In 1934 when the tariff cutting began, the average tariff levels protecting our industries were 46.7 percent—now they are 11.7 percent.

The so-called protection is three quarters gone. And there will be more of the same if the act is renewed as proposed.

Surely this committee in its wisdom can develop an effective and constitutional procedure for protecting American jobs. As an illustration, it might be obtained by providing that the House Committee on Ways and Means and the Senate Committee on Finance, could sustain or reject the decision of the President with respect to the Tariff Commission's escape-clause findings.

This procedure would more nearly reflect a current cross-section of the interests of the American people and would give Congress the

opportunity of sharing with the President the responsibility for making these far-reaching decisions which can doom whole communities.

My last suggestion is simply this. I do not believe that any new authority to reduce tariffs is needed or should be granted. Unused existing authority to reduce tariffs can be continued intact. This will help spread the burden of tariff reduction more widely instead of making present bad situations worse.

From the information available to me, it would appear that only one-quarter of the tariff cutting authority granted under the extension of the act in 1955 has been used.

Of the 4,801 dutiable items in schedule A commodity classes of imports, only 1,300 items were considered for tariff reductions by the GATT teams in Geneva. Why do we need more tariff cutting authority now just as we run into an adverse balance of trade or payments of more than half a billion dollars for the first quarter of 1958, as reported by the Department of Commerce?

The enactment of this legislation, as passed by the House, will encourage and accelerate the movement of American manufacturing from the United States to foreign countries. Surely we can agree that we do not want to facilitate the export of American jobs to foreign countries. In addition, every time an American plant is moved abroad it comes closer geographically to the Communist orbit of influence. Is this wise under today's world conditions?

What advantage is there to the American worker and his family if we permit the further liberalization of foreign trade?

The gains that have been made in this country in the fields of minimum wages, overtime pay, social security, industrial safety, and other measures to protect the health and welfare of the American worker are being seriously affected by cheaply made imports.

Why should two identical garments, one manufactured in the United States and the other manufactured in Japan, encounter different rules of the game at our State borders?

The laws governing interstate commerce should not discriminate against goods produced in the United States. The problems American industry faces by competing with foreign manufacturers are compounded many times over because we want to insure the highest standard of living possible for the American worker, and we must also meet our obligations to Federal, State, and local governing authorities.

That, gentlemen, is my story. I do not seek the defeat of this legislation. I have attempted to take a broad view of where does the real interest of our national policy lie.

Having approached the matter in that spirit, I respectfully submit that minimum amendments to the legislation now before you require an extension of not over 2 years, the adoption of a system for returning some realistic measure of responsibility on escape clause procedures to the Congress, and no further authority to cut tariffs at this time.

I thank you.

Senator KERR. Thank you, Mr. Stevens. Are there questions?

Senator CARLSON. Mr. Chairman, I just wish to say this. It is a pleasure to have Mr. Stevens before this committee. He has rendered

very fine and patriotic service to this Nation, and this is not the first time he has appeared before a congressional committee, so it is really a pleasure to have you here this afternoon.

Mr. STEVENS. Thank you, Senator Carlson.

Senator BENNETT. I see you back, and I imagine you are a little more comfortable.

Mr. STEVENS. It is a subject on which I feel quite at home. That is certain.

Senator KERR. Mr. Taylor.

STATEMENT OF TYRE TAYLOR, GENERAL COUNSEL, SOUTHERN STATES INDUSTRIAL COUNCIL

Mr. TAYLOR. Mr. Chairman and gentlemen of the committee, my name is Tyre Taylor. My address here in Washington is 1010 Vermont Avenue, and I am here representing the Southern States Industrial Council, the headquarters of which are in the Stahlman Building in Nashville, Tenn.

Mr. Chairman, on behalf of all of our officers, directors, and members, I want to tell you we sincerely appreciate this opportunity to present our views before this great committee.

On June 12, 1934, President Roosevelt signed the first Trade Agreements Act. Like the Gold Reserve Act, which became law a few months earlier, the Trade Agreements Act was regarded as an emergency measure. It was never thought of or intended—at least in those days—as an instrument of normal trade policy.

As Cordell Hull, then Secretary of State and author and chief advocate of the bill, explained to a congressional committee:

> The bill—H. R. 8687—frankly proposes an emergency remedy for emergency conditions.

And, again:

> With respect to this opposing view (that the bill should not be passed), it is my judgment that extraordinary conditions call for extraordinary methods of treatment, and that the proposed measured of relief is urgently needed at this time.

Looking back over it, it is doubtful whether any period of time in all human history has seen more far-reaching, revolutionary change than has characterized the 24 years that have elapsed since this bill first became law.

We recovered from the great depression.

We fought and won World War II.

(And, if I may add here, we recovered from the great depression not because of the Trade Agreements Act, but because of the war and its enormous and insatiable demand upon our economy and resources.)

We harnessed the atom.

We experienced the greatest and most prolonged economic boom in our entire history—again, not as a result of the Trade Agreements Act but because of pent-up demand and accumulated purchasing power growing out of war scarcities.

We changed our political orientation of a century and a half from nationalism to extreme internationalism, and handed out some $65 billion in postwar aid to our friends and former and present enemies.

We found ourselves engaged in a cold war with the Communist world and a hot war in Korea.

A totally new set of power relationships came into being. It was during this period that the British, French, and Dutch Empires disintegrated and disappeared, and America became the unwilling leader of the free world.

Beginning with Korea, we engaged in a massive defense buildup which, under the threat of Communist aggression, is still in progress.

The dollar declined in purchasing power by one-half—from 100 to 50 cents, and I believe it is now at 47.

The Soviets beat us to outer space with their earth satellites, but we were hard on their heels.

Such, in brief, are some of the developments during the momentous near quarter of a century that has gone by since the first trade-agreements bill was signed into law.

The problems, emergencies, and crises crowding upon us today bear little if any resemblance to the emergency envisaged by Mr. Hull.

For this general reason, if for no other, the council deems it in the highest degree appropriate and necessary that a thoroughgoing review of the entire trade-agreements program and concept should take place.

We need to determine whether this 1934 program is fundamentally sound, whether it is suited to the new conditions of a changed world, and whether it really serves America's best interests as a nation.

But there are other, and more specific, reasons why such a review should be undertaken as I shall now attempt to demonstrate.

America is a free-enterprise, capitalist nation. In order to continue to operate and remain solvent, industry in a free-enterprise, capitalist nation must recover the cost of the goods it makes and sells, plus a reasonable profit.

Several things go to make up the cost of any manufactured product. Interest on the original investment is one. Raw materials is another. Labor-management is another.

Transportation is another. And there are others—insurance, for example—of relatively less importance than those named.

These are the things which, added together, are the cost of any manufactured product, whether it be textiles, plywood, pottery, or what have you.

Now, with these inescapable facts in mind, let us take a look at an import-vulnerable southern industry which finds itself in serious trouble. I refer to the cotton-textile industry, and I would not imply that imports are solely responsible for the difficulties in which this industry finds itself.

There are, of course, other factors to blame, but that low-cost raw material and low-wage cost of foreign competition is a major one is not difficult to demonstrate.

Let us look, first, at the cost of raw cotton which, in the case of the cotton-textile industry, accounts for 54–55 percent of the total costs.

In this country, the price of cotton is artificially supported at a level approximately 20 percent above the world price.

Thus, cotton for which the domestic manufacturer would have to pay 34–35 cents a pound, has been selling in the world market for 28 cents.

In Japan, which is our chief foreign competitor, a mill can buy a bale of American middling inch cotton for (on an average) $30 less than the United States mill would have to pay for the same grade and staple. This differential would be reduced approximately ¼ to ½ cent per pound by transportation costs, leaving the net advantage enjoyed by the Japanese manufacturers over their American competitors $27.50 per bale.

The other major advantage enjoyed by the Japanese manufacturers is found in the cost of labor. There the cost of textile mill labor, including fringe benefits, is approximately 13.7 percent of what it is here—or about 20.5 cents an hour there against an average of $1.50 here.

Moreover—and as in the case of raw materials—the minimum cost of labor here is regulated by statute—the Fair Labor Standards Act.

In the manufacture of cotton textiles, labor costs account for approximately 25 to 27 percent of total costs.

So adding the two together—material costs and labor costs—the Japanese manufacturer enjoys a net cost advantage over the United States manufacturer of approximately 5 cents per yard—the actual figures being United States 17.70 cents and Japan 12.72.

This amounts to about 20 cents for each pound of cotton reshipped to the United States as cloth and sold at United States prices. In other words—and including all tariff (2.20 cents per yard average) and transportation costs—the Japanese manufacturer can sell his cloth in the United States and still make a profit at 2¾ cents (average) less than the cost, without any profits, of the American manufacturer.

One answer sometimes heard to this problem is that American mills are more modern and efficient than the Japanese mills and hence can operate at a lower unit cost.

It is a fact that the Japanese industry has been largely rebuilt since 1950 and its machinery is now as modern and efficient as any in the world.

However, to be entirely on the safe side, it was assumed in the cost figures given above that Japanese mill workers are only 50 percent as efficient as their American counterparts.

In order to be entirely fair, one other factor should be mentioned. This is the voluntary quota system under which Japan has undertaken to restrict her cotton textile exports to this country to 236 million yards a year.

Another purpose of this voluntary quota arrangement is to spread out Japanese exports so that no single branch of the American industry would find itself virtually driven out of the market as occurred in the case of velveteens and ginghams a few years ago.

We understand that this voluntary quota system is working fairly well and that the situation improved last year. However, it should also be pointed out that we have no such arrangements with any other country, all of which benefit in varying degrees from lower material and labor costs.

As a result of these and other factors, the American cotton textile industry has been declining for a number of years. This decline is revealed most dramatically in the falling off of the number of workers employed. Thus, in May 1957 the Textile Workers Union of America reported to Congress that employment in the textile industry

decreased more than 300,000—and I notice Mr. Stevens put that figure of 357,000.

Senator KERR. Yours are of May 1957 and I think his are of the later date.

Mr. TAYLOR. Yes, sir. And I understood instead of 445 large mills liquidated it was seven hundred and some, as I recall.

Senator KERR. Yes.

Mr. TAYLOR. What I have said about the cotton textile industry is true—only in lesser degree—of a long list of other import-vulnerable domestic industries, including chemicals, lead, plywood, pottery, glassware, and so forth.

But, it is said, the Trade Agreements Act is an integral part of our foreign policy and program, which is to open up the domestic market to our friends.

Otherwise, it is said, they will start trading with the Communist bloc. This policy is also accompanied by the hope—and so far it is little more than a hope—that our friends will open up their markets to us and thereby make possible true reciprocal or two-way trade.

Through all this run two ideas—or assumptions—both of which we find deeply disturbing.

One is that American manufacturers can and will meet foreign competition and can and will overcome whatever restrictions that are imposed against us by building plants in foreign countries and indeed this is already occurring.

In effect, this, of course, represents the export of American capital, manufacturing facilities—and jobs.

A corollary to this assumption was expressed by Mr. Edgar M. Queeny, of the Monsanto Chemical Co., when he testified on extension of the act in 1955. After recalling that the American organic chemical industry had largely developed since World War I and with the aid of adequate tariff protection, Mr. Queeny said that Monsanto would not go out of business if the bill passed. Rather, he said:

> The character of our business will change—and our country will suffer. We would not research and build new plants for new products which we know in advance can be duplicated abroad and imported into this country at prices which would make our production unprofitable. We would concentrate on products which can be produced in volume and which have cheap, indigenous raw materials. We would place greater emphasis on our foreign plants and perhaps establish new ones.

The other thought we find disturbing is that the textile and other American industries are expendable in the interests of foreign policy, and this idea is frequently coupled with the assertion that the Government should subsidize industries that are injured by the trade agreements program.

While there is a certain plausibility in the argument that foreign policy is conducted for the benefit of all the people and hence its cost should not be saddled off on particular industries, the suggested remedy in this case is, we submit, infinitely worse than the disease.

For what the Government subsidizes it also—of necessity—controls and if such a plan were ever adopted, it would mark the beginning of the end of free, competitive enterprise as we have known it.

Accordingly the council recommends—

1. An immediate and thoroughgoing review of the whole trade agreements program and concept to determine whether this program and

concept really serve America's best interests as a nation. We should not continue to accept rigidly and blindly the philosophy of this program as high policy dogma.

2. If it passes that test, in situations such as now prevail in the case of many import vulnerable industries, where adequate protection cannot be afforded through upward adjustments under the trade-agreements program, fair and reasonable import quotas should be established.

3. The General Agreement on Tariffs and Trade (GATT) should be eliminated from tariffmaking, and the proposal to have the United States join the Organization for Trade Cooperation (OTC) should be defeated.

We feel that in this connection and in connection with the trade agreements program generally, effective control should be restored to Congress.

4. We see no merit in the idea of Government subsidies for domestic industries injured by the trade-agreements program.

5. And finally, if it should be felt necessary to extend the trade agreements program we would earnestly suggest and urge that the extension be limited to 1 or 2 years.

Thank you, sir.

Senator KERR. Thank you very much, Mr. Taylor.

Mr. Harry Moss?

All right, Mr. Moss.

STATEMENT OF HARRY A. MOSS, JR., EXECUTIVE SECRETARY, AMERICAN KNIT GLOVE ASSOCIATION, INC.

Mr. Moss. Thank you, Senator Kerr.

My name is Harry A. Moss, Jr., and I am executive secretary of the American Knit Glove Association, Inc., of New York.

Honorable Chairman and members of the committee, I appear befor you today as the representative of labor and management in the knit, leather, and fabric glove industries and, in a larger sense, a spokesman for an area of many communities in Otsego, Schenectady, Fulton, Hamilton, and Montgomery Counties, New York State.

The glove industry permeates that area historically. Beyond that connection, though, the entire area has a social and economic relationship in the sensitivity of its payrolls to loss of employment through import competition from foreign carpets, rugs, and electrical products, as well as gloves.

Hence our deep interest in the bill before this committee.

First, may I preface our recommendations by noting the objectives involved. We are not opposed to foreign trade, nor do we minimize its importance to our economy. In fact, we purchase a large percentage of our raw materials abroad for manufacture here, although our higher wages and other costs preclude us from exporting.

The issue is not whether we should have foreign trade but rather the rules and equities under which that trade should be conducted, in the healthy economic interest of American labor and management, as well as the well-being of foreign political considerations.

We are not against H. R. 12591 in toto. We heartily agree with many of its features. We have worked hard, with many other in-

dustries, for the past 6 months to have them incorporated in the present bill. I refer to the provisions which improve the peril point, escape clause, and national security safeguards of current law.

We are encouraged by the fact that, for the first time, this bill establishes the principle that Congress shall be concerned with the final determination of any tariff rate or quota modification recommended in an escape-clause action.

Such changes, coming as they do after long deliberation by the Ways and Means Committee, prove the fundamental need for improvement in our trade-agreements program. However, this bill needs improvement in two cardinal respects to make it truly effective.

H. R. 12591 provides for an unprecedented 5-year extension of Executive authority to enter into trade agreements, and the language permits tariff rate reductions negotiated during that 5-year period to be put into effect in 5 annual steps extending beyond that period.

Hence a law enacted by this Congress would carry through the terms of 2 future Presidents and 5 new Congresses—in reality, 10 years of extended authority.

We respectfully challenge the wisdom of recklessly binding this country so far into the future.

The European Economic Community, a new development relied upon by the administration to favor a 5-year extension, is already beset with unpredictable developments. The risk to the American economy cannot be excused as a calculated risk.

In this regard, we point to the recent alarming developments in the so-called dollar gap.

Ever since the end of World War II, United States producers have found themselves hampered badly in international commerce by the hedgerows of restrictions that have grown up abroad to exclude American goods.

Despite the noble language of the General Agreement on Tariffs and Trade which specifically prohibits any trade restrictions "other than duties, taxes, or other charges, whether made effective through quotas, imports, or export licenses or other measures," arbitrary restrictions affecting American products have multiplied alarmingly. For example, 1 recent study found that 28 of the 37 participants in GATT require that imports be licensed.

The reason other nations can defy the rules of this agreement is that countries experiencing balance-of-payments difficulties are not required to live up to their part of the bargain.

The apologists for the trade-agreements program have always pointed to the so-called dollar gap to explain why other nations refuse to allow our goods to enter their markets.

"After all," they say, "how can we expect these people to buy our products when they have no dollars to spend?"

We do not intend to discuss the validity of this particular argument. We would simply like to invite the committee's attention to the fact that the United States Department of Commerce, just a week ago today, reported that the dollar gap no longer exists.

The Department issued a report showing that, during the first quarter of 1958, there was a net outflow of $550 million from the United States to foreign nations. This means simply that America

paid out half a billion dollars more than it received; and it also means that the dollar gap is closed.

Senator KERR. Didn't that actually create another dollar gap just in reverse?

Mr. Moss. It did so, yes, sir.

One might expect that these dollars would have been used to buy American products and that this new-found prosperity would be reflected in the level of our exports. But this is not, unfortunately, the case.

The same Commerce Department report indicates that our exports, in the same period, declined almost $1 billion from the preceding quarter.

Not only did we, as a nation, see $550 million leave our country, perhaps permanently, but we also lost a billion dollars worth of business in just 3 months, which indicates a contributing factor to this recession.

In all fairness, it must be pointed out that these two statistical facts are slices from the same pie—that, if other nations had purchased an additional billion dollars worth of American goods, the dollar gap would not have closed; there would still be a foreign deficit of $450 million.

And yet, to our mind, there is a very disturbing conclusion to be drawn. Other nations would rather have our dollars than our products. If this trend continues, we are facing a national economic catastrophe unprecedented in modern times.

Nor are our fears allayed by the fact, also reported by the Department of Commerce, that the nations benefiting from our outflow of $550 million converted most of this sum into gold.

In the last 4 months, there has been a veritable flood of gold leaving this country—gold worth $1.2 billion. And the magazine, U. S. News & World Report of June 27, 1958, reports that, while our gold reserves stand at 21.4 billion, if we had to pay the claims of foreign instrumentalities (amounting now to 11.6 billion) we would be left with $1.7 billion less in gold than we need to support our currency system.

I am sure the members of this committee are giving this matter their deepest consideration.

Speaking of exploitation of labor, which is always involved in the trade agreements program and import competition, the new Russian offensive boldly proclaimed as an economic war, poses a threat to American labor of a magnitude never before imagined.

In the Communist economy, costs are not more than fictional figures. True costs and prices are subject to the whims of political expediency. The present trade agreements program is a pushover in the path of Russian international ambitions.

Consequently, we plead that this bill will be amended to limit the extension to 2 years instead of 5, so that the United States may be free to review and revise our program in the light of accelerated changes in world conditions.

As to further tariff cutting authority, we must plead against additional cuts.

Rates have been cut by over 75 percent under this program, thousands of them only recently, in the past 4 years. We point to the inconsistency of continuing down the road to free trade, on the one

hand, while we strive to improve American wages and living conditions, on the other hand.

If any concession is to be made to those who demand further tariff cuts, we submit that a carryover of presently unused authority should be adequate during the next 2 years.

As to the power of the President to approve or nullify Tariff Commission escape-clause decisions, we plead that the present bill be rewritten.

Simply stated, as we understand, the present bill would authorize the President to reject or modify a Tariff Commission recommendation unless Congress, by a two-thirds vote of both Houses directs otherwise. The likelihood of any industry ever obtaining support of two-thirds of both Houses is in the realm of sheer fantasy.

Therefore, to be practical, we urge the approach whereby the President would initiate congressional action if he wishes to reject or modify a Tariff Commission recommendation. As Chief Executive, he has at hand facilities, such as all executive departments, defense agencies, and foreign diplomatic offices, to marshal promptly all pertinent facts to convince Congress of an overriding national interest.

We propose that H. R. 12591 be amended to provide the Tariff Commission escape-clause recommendations become effective, unless the President within 60 days obtains congressional approval for rejection or modification.

The recommendations we have made, we sincerely believe, are equitable, practical, and realistic in the best interests of our domestic economy and a fair improvement of United States foreign-trade legislation.

I would like to add, Mr. Chairman, that in answer to your question of one of the witnesses earlier today, the United States Department of Labor reports that in 1947 employment in our industry amounted to 5,000; there were 44 factories——

Senator KERR. Say that again.

Mr. MOSS. Five thousand employees in 1947.

Senator KERR. In what?

Mr. MOSS. In 1947.

Senator BENNETT. In his industry.

Mr. MOSS. In the knit-glove industry.

Senator KERR. Yes.

Mr. MOSS. And the same Department of Labor reports that as of 1954 there were 2,025 employees; that may not be a large industry, but the unemployment is very large considering the size of our industry and the size of our manufacturers.

Senator KERR. Well, to the people that are in it it is nearly as important as the development of more productive facilities are either to some foreign-owned company or some American-owned company in a foreign country seeking to dispose of their products in that market.

Mr. MOSS. Yes; that is right.

We have lost about——

Senator KERR. I dissent here on the part of your testimony and that of others that some of you boys are against any combine you are not in on.

Mr. MOSS. Well, you mean why not——

Senator KERR. I mean that is the basic concept of the people in Oklahoma, that is the way they feel.

Mr. MOSS. I see.

Senator KERR. So we understand how you feel so far as I am concerned.

Mr. MOSS. I see. Thank you.

Senator KERR. Thank you very much.

Are there any questions?

We will recess until 10 o'clock in the morning.

Mr. MOSS. Thank you very much, Mr. Chairman.

(By direction of the chairman, the following is made a part of the record:)

CITIZENS COMMITTEE FOR STABILIZATION, LEAD-ZINC INDUSTRY

Flat River, Mo., June 25, 1958.

Hon. HARRY F. BYRD,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: We believe you are familiar with the situation now confronting the soft-metals industry. We have corresponded about the problem and you have indicated a desire to see it corrected. The price of lead and zinc has fluctuated during the past year and is 27 percent below that of a year ago. This area, with the largest lead mines in the Nation has a large surplus of unsold lead and zinc. Serious unemployment has already occurred and a substantial cut in working time is imminent.

It appears much of our plight is due to unrestricted imports of lead and zinc from low-wage countries. While we recognize the importance of world trade both to our economy and the furtherance of world peace, we do not believe an important basic industry should be sacrificed on the altar of expediency.

In examining the various proposals to alleviate a problem that has been mounting for a number of years, we sincerely believe the following should be considered by the Congress:

(a) A sliding scale import tax would give protection to domestic producers without seriously affecting the volume of imports. Imports are necessary because we do not produce sufficient lead and zinc for our needs.

(b) An import quota system based on the wage scale of foreign producers would aid in regulating large-scale dumping from extremely low-wage areas. Higher quotas would be assigned high-wage areas. The attached wage schedule was used by the Schwab committee in congressional hearings last year. It seems unlikely a workman earning a few cents a day could purchase goods produced by an American workman.

The theory of the Trade Agreements Act is that other countries have dollars with which to purchase our goods. At present, there is little balance between the purchasing power of a miner in South America and a miner in North America. A recent Associated Press dispatch from Ottawa quotes the Canadian Prime Minister as critical of the "imbalance of trade with the United States." Canadian wages are only slightly lower than ours. Therefore, a Canadian miner has more dollars to purchase our goods than a South African native who earns 8 cents a day.

Certainly there is no permanent cure-all but any legislation enacted should—

(1) Be long range to encourage exploration.

(2) Permanent enough to permit the industry to plan 4 or 5 years ahead.

(3) Give first consideration to our domestic industry.

(4) Be self-sustaining with as little burden on the taxpayer as possible.

(5) Be enacted speedily. Other areas are more seriously affected than we and the gravity of the situation daily grows worse.

The subsidy plan now being considered would, in our opinion, afford some relief but has no more permanency than stockpiling. The makeshift policies of our various Federal agencies over the past several years has brought the industry to its present condition.

If the Congress adjourns without enacting some legislation to relieve our distress, the future of the entire nonferrous metals industry in the United States is in doubt.

Sincerely,

T. J. WATKINS, *Chairman.*

Best personal regards. T. J. W.

Comparison of wages in United States and foreign mines

Country	Year reported	Type of work	Wages	Equivalent in United States currency at official rates
United States mines:				
United States	1954	Lead-zinc mining	$1.99 per hour	
Do	1955	do	$2.01 per hour	
Do	1956	do	$2.14 per hour	
Foreign mines:				
Australia	1955	Mining	7s. 6d. per hour	$0.84
Bolivia	1953	Tin mining	309.01 to 418.62 bolivianos per day plus fringe benefits.	$1.63 to $2.20
Canada	1954	Metal mining other than gold.	$1.754 per hour	$1.80
Do	1956	do	$1.799 per hour	$1.82
Do	1956	do	$1.907 per hour	$1.94
Colombia	1953	Miners	11.14 pesos per day average	$4.46
Mexico	1955	Driller	19 pesos per day	$1.38
Nyasaland	1955	Unskilled native labor	17s. 6d. per 30 working days	$2.45
Peru	1957	Copper-lead-zinc-mining	Not available.	$0.85 to $1 per day.
Philippines	1954	Mining	106 pesos per month	$53.00
Rhodesia, Northern	1954	Native labor, copper-surface.	Pounds minimum per month.	$11.20
Do	1954	Native labor, copper-underground.	£4. 10s. minimum per month.	$12.60
Rhodesia, Southern	1954	Native labor, mining-surface.	61s. 2d. per month average	$8.56
Do	1954	Native labor, mining-underground.	73s. 4d. per month average	$10.27
South Africa	1954	Native wages	£8. 10s. monthly average	$23.80
Yugoslavia	1955	Mining and quarrying	54 dinars per hour	

Source: Statement by Albert Perrati, secretary-treasurer, International Union of Mine, Mill, and Smelter Workers.

MUSHROOM GROWERS COOPERATIVE ASSOCIATION OF PENNSYLVANIA,

Kennett Square, Pa., June 23, 1958.

Re: Trade Agreements Extension.

Hon HARRY F. BYRD,
Chairman, Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: In order to conserve the time of the Finance Committee, by not requesting the privilege of making a personal appearance, this statement is offered for inclusion in the hearings record, and for consideration of the committee in making amendments to H. R. 12591. This statement is authorized by the board of directors of this association whose members produce more than half the mushrooms grown in the United States.

Since annual imports of canned and dried mushrooms into the United States represent, when in their fresh state, an amount equal to at least 10 percent of the domestic annual production of fresh mushrooms, the price to the farmer has been subject to many drastic declines. This situation is further aggravated in times of economic recession. This cooperative was formed at a time when farm prices were depressed. Knowing full well the impact of low-priced imported mushrooms on the welfare of the American producer, it has represented their position before the Congress on many occasions, starting with the Tariff Act of 1930.

Rates of import duty established in 1930 saved the industry from collapse during the early years of the great depression. However with the enactment of the Reciprocal Trade Agreement Act of 1934 and the 1935 bilateral negotiations for a trade agreement with France resulting in a drastic tariff reduction, any sustained stability in the industry was rudely upset. Until World War II came along, financial distress among mushroom growers was the rule rather than the exception.

As the extension of the Reciprocal Trade Agreements Act came along the use of "reciprocal" became somewhat obsolete; bilateral agreements became multi-

lateral; the "most favored nations" became beneficiaries of what had been at one time intended as bilateral dealings. GATT (General Agreement on Tariffs and Trade) became the agency deciding the fate of the United States mushroom farmer and continues to do so. "Peril points" were provided, but few domestic businesses were successful in averting the damage done as a result of the actions taken under the Trade Agreements Act by the United States delegation to GATT. In at least one case, where the United States raised the tariff to protect an American industry and the skills of workmen engaged in it, "compensatory" duties were adjusted downward on certain other items of export by that country. The administration of the Trade Agreement Act has put many small businesses to a great economic disadvantage. As administered small business has suffered, and being relatively small has been unable to receive the consideration it believes it is entitled to at the hands of our own Government.

Canned mushroom tariff rate adjustments downward were made as follows:

1930 act	45 percent ad valorem plus 10 cents per pound
1936 trade agreement	25 percent ad valorem plus 8 cents per pound
1948 GATT	15 percent ad valorem plus 5 cents per pound
1951 GATT	12½ percent ad valorem plus 4 cents per pound

We urge the Congress, if the act is to be extended, to give consideration to amending it along the following lines:

(1) An extension of less than 5 years as specified in the House bill. With the building up of many industries in foreign countries through our technical assistance program and United States financial aid coupled with the low-wage rates in these countries, a long-term enactment could deprive American businesses of quick relief from low-priced foreign competition.

(2) Provide the United States Tariff Commission with ratemaking power. Since tariffs are, or originally were, based on the economic needs of American producers, not originally designed as a political weapon, it seems they should be administered by a factfinding body responsible to the Congress. If the Interstate Commerce Commission has the right to govern transportation rates, which it has, then it would seem to be equally reasonable for tariffmaking powers to be entrusted to the Tariff Commission.

(3) The right to impose quotas on imports of any commodity. Certain foreign agricultural products have been subjected to the imposition of drastic quotas under another act of Congress; oil imports are at present restricted to protect domestic companies in their explorations; our State Department, for 2 years, has made what is termed "an arrangement" with Japan restricting the quantity of women's blouses to be imported lest domestic manufacturers do battle to have a substantial tariff increase made. This is one case in which it is charged to be entirely without the realm of the Trade Agreements Act.

(4) Eliminate authority for any further tariff reductions, but retain the right for increases where warranted. As a result of several tariff-cutting sessions, it would seem that bottom has been reached, and any additional concessions would be close to total free trade.

We finally urge upon the committee that every consideration be given to the reestablishment of proper safeguards for American businesses. Our foreign-aid program has been of great assistance to those countries helped. Under it they have established many industries which now supply goods formerly exported by the United States. As our scale of living has advanced, our costs have increased to the point where we have priced ourselves out of some foreign markets.

Respectfully submitted.

By WALTER W. MAULE, *Secretary.*

The CHAIRMAN, COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.:

PURPOSE OF STATEMENT

It is the purpose of this statement to present the viewpoint of the lead pencil manufacturing industry relative to pending legislation which would permit further possible reductions in lead-pencil tariff rates.

This statement is submitted by the Lead Pencil Manufacturers Association, Inc., 60 East 42d Street, New York, N. Y., on behalf of the 18 lead pencil manufacturing companies of the United States, comprising 13 association member companies and 5 nonmember companies which have specifically approved of this statement. A full list of the participating companies is attached to this statement as exhibit A.

BACKGROUND OF INDUSTRY

Nature of product

The lead pencil manufacturing industry is approximately 100 years old in the United States. During this period, the lead pencil has been the basic writing instrument of education and industry at an economic, consistently low cost to users, in striking contrast to the general price inflation seen in other consumer products.

The lead pencil is a precision-made instrument, composed of up to 40 ingredients which are put through more than 125 operations to bring to the public the writing tool with which it is so familiar. Among the better known ingredients are California incense cedar, sheet brass, crude and synthetic rubber, graphite, clay, waxes, adhesives, pigments, lacquers, and packaging materials. The industry is a substantial contributor, relative to its size, to the import trade through its foreign purchase of clay, graphite, rubber, waxes, and other raw materials.

Makeup of industry

The lead pencil manufacturing industry is a small industry. The 18 manufacturers, who account for the entire production, range in size from firms employing less than 50 persons to those having upward of 500 employees devoted to pencil making. In total, the industry employed more than 5,000 persons as of January 1, 1958, and its payroll amounted to almost $18 million in 1957, representing 54.8 percent of the industry's $32,800,000 sales during that year.

The 18 manufacturers of lead pencils in the United States have an investment in land, buildings, production equipment, and inventories in excess of $75 million. In 1957, the industry paid taxes of more than $2 million to Federal, State, and local agencies, aside from the taxes paid by its employees.

It should be noted that manufacturers of lead pencils and components thereof are important local employers in scattered areas of the United States. In Connecticut, New Jersey, Pennsylvania, New York, Georgia, Tennessee, West Virginia, Kentucky, Missouri, and central California there are local communities heavily dependent upon this industry.

ESSENTIALITY OF PRODUCT

With the development of modern industry and industrial methods, and regardless of the creation of newer types of writing instruments and writing machines, the lead pencil has shown no decline in its essential importance to our national life. Pencils are indispensable operating supplies for every branch of American life, and are essential to the maintenance of practically all functions and operations of cooperative life and business. They are required for the entire student population. They are indispensable in the pursuit of all trade and commerce, for the use of financial and insurance organizations, for the operation of all transportation and communication services and systems and for public utilities, and by all operating departments of the Federal, State, and local governments.

Because production of all machines, machine products, and construction of every type starts on the drawing boards, the lead pencil is a basic tool of the designer and draftsman in preparing his original sketches, finished drawings and blueprints. The products of the industry are used not only in offices and drafting rooms, but black lead pencils, colored and copying pencils of many types are used in all factories for planning, supervising, and directing production, and for recording production data on which workers are rated and compensated.

The wood-cased pencil is a product which meets all of the standards of essentiality laid down by the War Manpower Commission in World War II, except that it is not directly utilized for combat purposes. In a large measure, it is almost like a machine tool; neither is used directly in combat, but both are essential to the manufacture of combat materials. Actually, huge quantities of pencils go into combat areas along with other small but indispensable items.

A review of lead pencil import figures during the past 50 years will show clearly that in 1914 and 1940 this country and its allies were abruptly cut off from all foreign supplies of lead pencils. Had not American manufacturers been able to fill the critical need for general and special pencils required by all civilian, military and industrial elements, a truly serious situation would have resulted. Maintenance of the pencil industry and its skills on a standby basis, to be activated only in time of war, is impossible.

CURRENT INDUSTRY CONDITIONS

Competitive industry

The lead pencil manufacturing industry in the United States is a highly competitive, low-profit industry. It is almost wholly dependent upon the domestic market, since it is today effectively shut out of almost all of its former export markets. In addition, domestic manufacturers are unable to compete, pricewise, in the few export markets still open to them because of the substantially lower cost advantages enjoyed by foreign producers.

Rising costs

Industry costs for both material and wages have continued to rise through the years, 1955, 1956, and 1957. A recent survey shows industry costs over the past 25 years to have increased on an average of almost 200 percent. These cost increases from 1933 to the present time have far exceeded the 1933 tariff rate on imported lead pencils. The industry has barely managed to survive by improvement of its processes and equipment to the maximum possible extent.

Export and imports

Our industry is now more than ever vulnerable to foreign competition, in both export and domestic markets. Because of the industry's difficulties, caused by keen competition, low price levels, a production overcapacity, and the fact that exports have been drastically reduced, the industry continues at the "peril point," or below, under present tariff rates. Any further reduction of lead pencil tariff rates would greatly increase pencil imports and destroy the domestic industry. Even under present rates, foreign manufacturers continue to increase their share of the American market. They do not need lower tariff rates to be effectively competitive in a normal, peacetime economy.

The reasons for this are clear. Our domestic pencil products have no important differences in appearance or performance to shield them from being displaced by closely comparable imports. Foreign manufacturers are equally mechanized and have equivalent productive skill. Their production per man-hours is equal to ours. However, according to official Government figures, the average hourly earnings for individual workers in the United States is $2.08 while in Japan it is $0.22, and in Germany it is $0.55, and this substantial wage gap will probably increase as higher wage rates come into effect. The effect of this tremendous disparity in wage rates can be judged by the fact that payroll represents over 54 percent of the industry's dollar volume.

Since the close of World War II, the grossage of imported lead pencils has increased substantially with each passing year. In 1955, the increase over the preceding year was 33 percent; in 1956, it amounted to 47 percent; while in 1957 (the first 10 months), the increase was 19 percent.

Since 1945, import duties on lead pencils have been cut by 50 percent. To reduce further these tariff rates would cause dire hardship to all facets of the American lead pencil manufacturing industry.

CONCLUSIONS

The lead pencil manufacturing industry of the United States earnestly opposes legislative provisions that permit further reductions in import duties on pencils or pencil leads. The lead pencil industry is already at the peril point, and must have for survival at least the present tariff protection for the following reasons:

1. The import duties in all important classifications of lead pencils have already been reduced a full 50 percent as permitted under earlier trade act amendments. In addition, it should be recalled that the effectiveness of the remaining specific duty has been greatly weakened through years of monetary inflation.

2. The industry's products are articles of prime essentiality and of strategic necessity.

3. Since the industry continues in serious difficulty because of rising costs, loss of exports, and intense domestic competition, it is clear that a large influx of foreign pencils, which would inevitably follow a further reduction in duty, would be fatal to American manufacturers.

4. The American pencil industry cannot convert its main productive facilities into the manufacture of any other product: its machinery can be used only to make pencils.

5. The total dollar volume of the American pencil industry is so small that if foreign-made pencils captured the entire domestic market the resulting benefit to international trade would be insignificant, yet American workers would lose wages in excess of $18 million each year, government would lose annual industry taxes of more than $2 million, and a century-old industry, essential to the nation in time of war and peace, would be destroyed.

LEAD PENCIL MANUFACTURERS ASSOCIATION, INC.,
H. B. VAN DORN,
Chairman, Foreign Trade and Tariff Committee.

JUNE 24, 1958.

EXHIBIT A

LEAD PENCIL MANUFACTURERS IN THE UNITED STATES

American Pencil Co.,[1] Lewisburg, Tenn.
Richard Best Pencil Co.,[1] 211 Mountain Avenue, Springfield, N. J.
Blaisdell Pencil Co.,[1] Bethayres, Pa.
Commonwealth Cedar Company, Inc., Shelbyville, Tenn.
Connecticut Pencil Co., 541 Maple St., Bridgeport, Conn.
Joseph Dixon Crucible Co.,[1] 167 Wayne Street, Jersey City, N. J.
Eagle Pencil Co.,[1] 703 East 13th Street, New York, N. Y.
Empire Pencil Co.,[1] Shelbyville, Tenn.
Eberhard Faber Pencil Co.,[1] Crestwood, Wilkes-Barre, Pa.
General Pencil Co.,[1] 67 Fleet Street, Jersey City, N. J.
L. & C. Hardtmuth Co.,[1] Bloomsbury, N. J.
Mallard Pencil Co., Georgetown, Ky.
Musgrave Pencil Co., Shelbyville, Tenn.
National Pencil Co., Shelbyville, Tenn.
The Red Cedar Pencil Co., Inc.,[1] 215 Second Avenue, Lewisburg, Tenn.
Reliance Pencil Corp., 22 South Sixth Avenue, Mount Vernon, N. Y.
The Ruwe Pencil Co., 321 West Putnam Avenue, Greenwich, Conn.
Wallace Pencil Co.,[1] Maplewood Branch Post Office, St. Louis, Mo.

UNITED STATES SENATE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
June 24, 1958.

Re amendment 6-23-58-E.

HON. HARRY FLOOD BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: It is with a sense of great urgency that I appeal to you and your committee to give favorable consideration to an amendment I have introduced to H. R. 12591, the Trade Agreements Extension Act of 1958, which the Committee on Finance is presently considering.

The amendment introduced on June 23, 1958, is a simple one. It would apply the present tariff quota on woven woolen fabrics on a fabric category basis rather than on a total and overall import basis which is now the case.

As you know, Mr. Chairman, the present tariff quota was applied in 1956 and resulted from the havoc which unrestrained woolen imports had caused the domestic woolen and worsted industry. Such imports had largely brought about a 61-percent decline in the domestic industry's employment between 1947 and 1956. During that same period the production capacity of our woolen industry declined accordingly—looms by more than 50 percent, woolen spindles by 47 percent, and worsted spindles by 56 percent. Since 1947, 132 woolen mills have been liquidated and in excess of 100,000 wool textile jobs have been lost. It was this tragic decline of a former strong American industry which brought about the tariff quota of 1956. Under the terms of this quota, however, all the 14.2 million pounds of wool fabrics allowed to enter the country at a low rate of duty can be concentrated in one of a few types of woolen goods. In other words, the quota is on total imports and not on each type or weight of wool imports. It fails to make any provision against the concentration of imports in different categories of fabrics.

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[1] Members, Lead Pencil Manufacturers Association, Inc., 60 East 42d Street, New York, N. Y.

Consequently, since the tariff quota took effect, imports of woolen goods have tended to concentrate in the higher quality goods which are relatively lightweight and contain a relatively greater proportion of labor. Therefore, during the first 6 months of 1957 for which we have statistics imports of woolen and worsted fabrics weighing not over 6 ounces per square yard amounted to over 22 percent of the total domestic production of such fabrics. In other categories of high-quality woolen fabrics industry sources estimate that imports equal as high as 60 percent of United States production of such fabrics. Many mills, Mr. Chairman, have been forced to liquidate since the quotas went into effect because of this type of competition.

It is the purpose of my amendment to end this unfair application of the tariff quota and to establish it on a category-by-category basis. This is the only way to make the quota truly effective. Otherwise it is but a farce and most unfair to the domestic woolen industry which has already been cut in half since the end of World War II. It is high time, Mr. Chairman, that our textile industry be taken off the sacrificial altar of our foreign-trade program, and I sincerely and profoundly hope that you and your committee will, after thorough and objective consideration, recommend the adoption of this amendment. I would also be most grateful if you could make this letter a part of the record of the hearings your committee is now conducting.

Sincerely yours,

FREDERICK G. PAYNE,
United States Senator.

UNITED STATES SENATE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
June 24, 1958.

Re Amendment 6-23-58-D.

Hon. HARRY FLOOD BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: It is with a sense of great urgency that I appeal to you and your committee to give favorable consideration to an amendment I introduced on June 23, 1958, to H. R. 12591, the Trade Agreements Extension Act of 1958 which the Committee on Finance is presently considering.

The amendment would provide for the establishment of import quotas on all imports of cotton manufactures on a category-by-category basis. It would prohibit total imports of cotton manufactures in excess of 2 percent of the domestic production of the previous year, and it would prohibit imports of cotton manufactures in each individual category in excess of 5 percent of the domestic production of such categories of the previous year.

This amendment, Mr. Chairman, has been vitally needed for a very long time. I can think of no domestic industry which has suffered more since World War II than our cotton textile industry. Since 1947 it has lost approximately 250,000 jobs. A total of 333 cotton-rayon mills have been liquidated, and these liquidations are still continuing. The cotton textile industry of this Nation has suffered to a point where it is now in danger of leaving the American scene, and there is little doubt that one of the most important factors producing this decline is the unrestrained competition which the domestic industry has had to face from extremely cheap foreign imports.

In 1947, the United States exported 1,437 million square yards of cloth. This represented 14 percent of the total United States textile production. In 1957, however, the United States exported 538,186,000 square yards which represented only 4.9 percent of our total textile production. This was a drop in exports of approximately 66 percent. What is important to note, however, is that in the meantime imports of textiles have risen by more than 1,000 percent. Furthermore, these imports have frequently concentrated on particular types of cotton fabrics. For example, in the case of velveteens, imports in 1955 and 1956 were almost twice as much as domestic production. Such unrestrained import policies, Mr. Chairman, have been disastrous to the domestic industry. It cannot possible compete against the low wage standards of its foreign competitors where in cases such as Japan the hourly wage of a textile worker is 14 to 15 cents while in the United States it averages $1.40. The industry is in desperate need of assistance in order to survive. There are presently towns throughout New England, the Middle Atlantic States, and the South with chronic cases of unemployment directly as a result of textile liquidations and cut-backs.

It would not be fair of me not to point out that the disastrous effects of unrestrained imports led the Japanese Government to establish voluntary quotas on Japanese exports of cotton goods to the United States. Where the quotas of various types of Japanese goods were low enough this has worked out fairly well. Where the quota was too great to begin with, however, the results have continued to be disastrous. Furthermore, in a number of categories the Japanese have exceeded their own voluntary quotas, in some cases by as much as one-third. In addition, there is no protection from Japanese-made textiles transshipped to a third-party nation and then sent to the United States. And, of course, there is no assurance that the Japanese will not fully reopen the floodgates at any time. We cannot, therefore, rely on this voluntary quota and it is not fair to continue to leave our domestic cotton textile industry completely at the mercy of a foreign nation's own voluntary agreements.

Consequently, Mr. Chairman, the amendment I have introduced is essential for the continued survival of our domestic cotton textile industry. Unless we act now we will only contribute to the growing unemployment in this industry and to the liquidation of precious textile mills throughout the Nation. I sincerely hope, Mr. Chairman, that you and your committee will give this amendment thorough and objective consideration and will adopt it as part of your recommendations to the Senate. I would also be most grateful if you could make this letter a part of the record of the hearings your committee is now conducting.

Sincerely yours,

FREDERICK G. PAYNE,
United States Senator.

STATEMENT ON THE POSITION OF THE SOUTHERN GARMENT MANUFACTURERS ASSOCIATION, INC., ON H. R. 12591, PROPOSED RENEWAL OF THE RECIPROCAL TRADE PROGRAM, JULY 1, 1958

Mr. Chairman and gentlemen of the committee, the Southern Garment Manufacturers Association is a trade organization, with offices in Nashville, Tenn. The several hundred members of that association, operating plants in 27 States, on whose behalf this statement is submitted, normally account for the predominant production of all men's and boys' work clothing, together with a substantial percentage of the total production of men's, women's, and children's sport and utility clothing.

This industry is allied closely with the textile industry. Our basic raw product is cloth, the product of the mills, cloth.

The fundamental economic facts confronting this industry which accounts for continually increasing alarm over the mounting detrimental effects of foreign imports on our markets are:

1. The wage rates of foreign countries shipping products to our markets competitive to ours are one-tenth of the wage rates in the American plants;

2. Cotton, as the members of the Senate Finance Committee know, whether it be American or foreign grown, is available to the foreign country manufacturer at 20 to 25 percent less than it is to American competitive companies;

3. Cotton and wages in textiles will amount to about 80 percent of the total product cost. In the apparel industry the cloth and labor amount to approximately 75 to 82 percent of the finished product, depending on whether it is a staple or seasonal merchandise.

4. In addition, total taxes and other cost elements entering into the production costs in American plants are substantially higher than those in foreign country competitive plants.

The attention of the committee is earnestly invited to the following facts respecting the end result of the effects of the present reciprocal trade policy on the economy of the American apparel industry and the communities in which the plants of this industry are located. In this data will be shown the extent to which the present trade policy is furnishing employment to foreign country competitive workers, and hence denying employment to American wage earners in our industry, with the consequent undermining of the economic base of American communities.

Secretary of Commerce Sinclair Weeks has recently stated, and we understand this statement was made to Members of Congress, that he estimates the total foreign imports competitive to our industry to be not more than 3 percent.

Assuming Mr. Weeks is correct, then it would follow that this 3 percent of foreign imports, on the basis of employment in the textile and garment industries, would take away the jobs of 60,000 textile and apparel employees.

Official United States Government statistics show there are about 920,000 textile employees and 1,100,000 garment workers. Three percent of 2,020,000 is about 60,000.

When this point is made to proponents of the administration bill, they say that much of these imports comes into the United States in piece goods and unfinished textiles. However, it is obviously true that such exporting countries as Japan find it to their advantage increasingly to concentrate on the finished clothing items as in this way they can export more labor and thus widen their competitive advantage over United States manufacturers who are committed to American wage scales. It is submitted that in all probability the figure above, is low. It will be obvious to the committee that in addition to the 60,000 jobs that have been destroyed as result of only what Mr. Weeks admits to be the imports, namely, 3 percent other allied industrial employees and industries, such as machinery, thread, buttons, cotton gins, chemicals, dyestuffs, etc., are likewise affected because of the impact of the imports on their customers, the textile mills and garment plants.

The effect of the foregoing has been to reduce capacity operations in the American plants. In April of this year a survey of only 111 member companies of this association showed this situation as curtailing the American plant operations.

The number of employees of the 111 companies contacted is actually 84.6 percent of capacity employment and these employees now working are only working 77.8 percent of a full-time week. Multiplying 84.6 by 77.8 shows percentage of capacity employment as only 65.8 percent, or, in other words, those companies are only producing at two-thirds of full capacity.

One indication of the drop in our plant employment in the United States, which this association charges is due in large part to the industry being compelled to absorb the foreign country, low-wage-made goods, is the report of the Bureau of Labor Statistics, released on June 9, 1958, showing that—

Production-worker employment in the apparel and other finished-textile-products industry was down to 988,400 in May 1958, from 1,039,000 in May 1957, a drop of 50,600 employees.

A second factor is that the member companies of this association report the following comparative man-hours worked for the periods shown:

	Hours worked
July 1, 1955, through Dec. 31, 1955	22,430,032
Jan. 1, 1956, through June 30, 1956	22,825,412
July 1, 1956, through Dec. 31, 1957	19,036,692
Jan. 1, 1957, through June 30, 1957	20,497,898

Since, under normal conditions in our industry production varies considerably during different periods of the year, for an intelligent approach to the trend of hours worked, which naturally would follow closely the production pattern, it would be necessary to compare the second half of 1955 with the second half of 1956 and the first half of 1956 with the first half of 1957. When this is done, the committee will at once see that the period January through June 1956 showed a decline of 3,394,240 man-hours worked over the same period in 1955, or a decline of 5.13 percent. From January through June 1957 the man-hours worked were 1,820,514 less than the entire period of 1956, a decline of 8.19 percent.

We desire to point out to the committee that many hundreds of the plants in our industry are located in small towns, where the plant is the only source of industrial employment in that town and in the greater number of instances, the only employment in a wide area. The towns and areas referred to are in the Southeast, Southwest, and Midwest. When such factors as foreign imports close these plants for substantial periods of time, not only are the employees and their immediate families affected, but the life of the entire community and area is likewise affected, i. e., merchants and other lines of business, professional people, and the source of taxes for municipal and county governments, which depend upon this employment for community existence.

The beginning of the seriousness of the foregoing country imports was in the first half of 1955.

It has been charged by the proponents of a liberalization of our trade policy that foreign imports are not, in reality, hurting the economy of our industry,

and that the inability of our American apparel industry to compete with imports is due to inefficiency in our industry.

On examination of these charges, it will be found that this kind of indictment is flung around freely by some economists who arrive at their conclusions largely on theory, and without the books they would be lost. It should be unnecessary for practical and successful businessmen to have to answer such unrealistic indictment. However, answer must be made because of this unfair indictment being repeated by people who should know better but are allowing themselves to be misled.

It is believed that any fairminded Member of Congress is already convinced that the inability of such industries as the American apparel industry to compete with foreign-made products comes down to nothing more complex than the low wage rate paid in other countries. No such theorist-economist would dare face this issue in open debate. When they deny this, they only succeed in discrediting themselves in the eyes of those who, day in and day out, are confronted with this low-wage competition problem, as well as in the eyes of those Members of Congress who have, themselves, analyzed this problem.

Such theorizing is, in the final analysis, unimportant. What is important is what should be done about injury to our domestic industries, to workers who are forced to take long layoffs of several weeks' duration, to work short work-weeks of 2 and 3 days, due to their employers having business taken away from them by low-wage-made foreign goods.

What these theorists do not realize is that, when they support the type of reciprocal-trade policy that disregards the competitive angle resulting from the low wages of foreign countries where the competitive products are produced, they strike a mortal blow at the ability of such industries as this one to shoulder the responsibility expected of it in a time of emergency.

Mr. Chairman and gentlemen of the committee, the industry on behalf of which this statement is presented is the one that produces clothing for the Armed Forces, including the kind of clothing men who fight on the battlelines must have. Ours is the industry that enables the defense authorities to boast that the American soldier is the best dressed and most efficiently dressed soldier in the world.

When, however, we must submit this industry to forced liquidation in numbers of plants, reduction in skilled workers, and curtailment of financial resources supporting the industry by subjecting it to a competition so devastating as to make operations unprofitable, we repeat the assertion above, that the industry which provides clothing for the fighting forces is being prevented from keeping ready to clothe the fighting boys.

We conclude this statement by asking the committee a question; namely: Pick out an article of general consumption in this country that gives the consumer more for his dollar today than the domestically produced textiles and garments. Find the proof showing what industries have contributed less to inflation than the American textile and apparel industries.

Look for yourselves at what is happening to employment, to the price structure of our markets, to investments and earnings.

A gradual deterioration of the American textile and garment plants has been underway for some 3 years. We believe that the greatest single factor responsible for this condition is the unstable price structure of the industry caused by foreign-country, low-wage products manufactured at wages one-tenth and, in some countries, less than wages paid in American plants.

It may well be that this is the last time a committee of Congress will have the privilege of an industry like this placing such proof before it. If the act is renewed, as H. R. 12591 calls for, the spokesmen for this industry now say to the committee that many of these plants may not be in the industry to raise their voices when the trade policy now up for renewal next expires.

The amendments proposed to H. R. 12591 by Representatives Simpson, Dorn, Davis, and Bailey would have afforded a measure of some relief to this industry.

Finally, this association urges the committee to write into the bill the following provisions which it is believed will correct the unjust situation outlined in this statement:

1. A 2-year limit to the authority of the Trade Agreements Act.

2. Tariff reduction by 5 percent per year, nonaccumulative, and not applicable to any article on which a reduction has been made since January 1, 1955.

3. A change in the terms of the present escape-clause procedures, whereby a finding of injury on the part of the Tariff Commission would be deemed final.
4. The establishment of practical and workable criteria for the determination of peril points.

Respectfully submitted.

SOUTHERN GARMENT MANUFACTURERS ASSOCIATION,
By E. A. MORRIS, *President*

STATEMENT OF THE PAPERMAKERS' FELT ASSOCIATION, BY RAYMOND J. LEE

This statement is submitted to the Senate Finance Committee by the Papermakers' Felt Association in connection with the committee's hearings on the Trade Agreements Extension Act of 1958. Currently pending before the Senate Finance Committee is H. R. 12591, embodying the administration's recommendations for a new trade-agreements program as passed by the House of Representatives. Our industry considers this bill to be inadequate and misdirected; it does not take into account problems of serious concern to American industries such as ours.

SUMMARY OF RECOMMENDATIONS

Our industry believes that, before H. R. 12591 is reported out, amendments should be made—

(*a*) to cut down the duration of the proposed extension from 5 to a maximum of 2 years;
(*b*) to limit the President's authority to reduce tariffs in the cases of industries whose tariffs have already been reduced significantly; and
(*c*) to channel Tariff Commission recommendations on prevention of injury to domestic industry to Congress, rather than to the President.

THE INDUSTRY AND ITS PRODUCTS

The papermakers' felt industry manufactures woven woolen felts for industrial uses, primarily for use on papermaking machinery. Our industry employs about 5,000 workers, and has 11 plants in 9 States. It is a small but essential part of the American industrial scene; its importance has been recognized by the Department of Defense, which declared it essential to national defense. What we produce is essentially a tailormade product; a strong, porous, woven woolen belt, ranging in length from 15 to 250 feet and in width from 24 to 300 inches, for industrial machines. Each felt is manufactured to exact specifications for its machine and is specially prepared and treated chemically for use with particular raw materials, machines, speeds, etc.

TO HELP EXPORT INDUSTRIES, OUR INDUSTRY IS THREATENED

The problem of our industry is representative of the problem faced by all American industries except those mass producers of vehicles, motors, iron and steel equipment, etc., who stand to benefit from free trade. Those industries sell vast quantities on export markets; our industry does not. Because of the standardized nature of and the mass market for their products, the export industries have been able to cut labor costs per unit of production to a minimum. Our industry produces what is essentially a specially fabricated product; its technology is known and shared throughout the world. It has high labor costs per unit of production. Our foreign competitors' labor costs are one-fourth to one-tenth those of American producers.

UNITED STATES DEMAND FOR FELTS IS INELASTIC

We are forced to rely upon the American market for our economic life. The demand for our most important product, long continuous woven felts used on papermaking machines, is inelastic. The price of a felt is insignificant when compared with the cost of a machine on which it is used and the value of the paper output of that machine. Indeed, the overhead cost when a paper mill is shut down to change felts exceeds the cost of the felt. In the circumstances, no change in felt prices will induce a manufacturer to change felts more often

than he has to or to use more felts. As a result, the size of the market which we supply is relatively fixed. Increases in American paper consumption has been counterbalanced by improved longer wearing felts on which the paper is produced.

THE EUROPEAN CARTEL

Our major competitors are European felt mills. They have already forced the American industry out of the export markets in Europe, South America, and Japan that we held for a brief period after World War II while European industry was recovering from the effects of the war.

The European felt industry is, in form and operation, a cartel. It establishes different export prices for different markets, independent of considerations of cost, while relying on protected home markets for its profits. In its home markets, the cartel's customers are locked into the cartel operation by a price-rebate system. These low labor cost European producers can operate with a price freedom not available to the American industry. Thus there is every reason to believe that at any time it desires the European industry could launch a full scale attack upon the domestic markets of the American industry. Our only protection comes from tariffs and the less than satisfactory antidumping law.

FELT TARIFFS HAVE BEEN CUT 75 PERCENT

The ad valorem duty on felt imports has already been cut from 60 percent under the 1930 Tariff Act to its present 15 percent level and the administration now proposes that it be authorized to cut the tariff by a further 20 percent.

FELT AND SIMILAR INDUSTRIES WILL PAY PRICE OF THIS LEGISLATION WITHOUT RECEIVING ANY BENEFITS

The problem confronting our industry has been recognized by the United States Government. The Department of Commerce, in a paper submitted to the Foreign Trade Subcommittee of the House Ways and Means Committee in 1958, recognized that if tariffs were further reduced "the major part of the impact would probably fall on textiles and an assortment of other light manufacturing industries, especially those dealing in specialty lines * * * On the other hand, the principal mass manufacturing industries of the United States would be very little affected * * * Many of these industries compete successfully abroad, and should not experience greater difficulties at home."

The benefits of an expanded trade agreements program accrue to large, mass producing industries; the burden falls on smaller industries like ours. We are forced to give up domestic markets to provide foreign countries the dollars with which to buy from American mass producers.

Such a program of robbing Peter to pay Paul inevitably will have a serious effect upon American workers. For example, the Federal Government several years ago estimated that the average annual sales per worker in the wool textile field is $12,500; the average annual sales per worker in the automobile industry is $31,000. Thus in order to provide one additional export job in the automobile industry, it is necessary to wipe out 2½ jobs in our industry. Whatever the theoretical economic arguments in favor of free trade, these are harsh practical consequences for industries and workers who are being sacrificed to the theoretical goal.

NECESSARY AMENDMENTS

As a result, our industry requests the committee to amend H. R. 12591—

(1) To provide for more frequent congressional review of trade agreements legislation;

(2) To limit its impact on industries such as ours; and

(3) To make more effective escape clause relief, the only relief from serious injury now available.

1. More frequent congressional review

A 5-year extension of trade agreements legislation is simply too long. Under rapidly changing economic conditions, Congress should not give up its rights to review and revise the trade agreements program for a 5-year period. Our industry believes that a 1- or 2-year program is the maximum acceptable extension. This limited extension will permit responsible congressional review of the wisdom and operation of our trade policies in the light of the kaleidoscopic developments in the world.

2. Limit power of tariff reduction

We believe that any new tariff-cutting authority should be limited so as to take into account the problems of industries which have already felt the ax several times. H. R. 12591 grants the President authority to cut existing rates by 25 percent over the next 5 years. In the case of our industry, this additional authority is on top of the 75 percent cut in ad valorem duties that already has been inflicted upon us.

We recommend, therefore, that industries, whose tariffs have been reduced either (*a*) to less than 50 percent of their 1930 level or (*b*) to 25 percent ad valorem or less, be exempted from any additional tariff-cutting authorization under the new trade agreements program. Such a limitation would provide a degree of stability for American manufacturers who have been hardest hit; it would enable them to plan for production, employment and sales under reasonably predictable conditions.

3. Congress to review escape-clause findings

Finally, our industry asks that escape-clause relief be made more fair and certain. Tariff Commission recommendations are, of course, little comfort for manufacturers who are compelled to wait for foreign industries to take away their markets before seeking relief. Nevertheless, existing legislation does provide, through the escape clause, a theoretical avenue of relief from serious injury.

However, Tariff Commission recommendations for tariff relief, although based on factual findings of injury to domestic industry, are of little value because they can be, and usually are, nullified by Presidential veto. In less than 30 percent of the cases of serious injury has the President followed, in whole or in part, the recommendations of the Tariff Commission.

In reviewing Tariff Commission findings, the President has obviously been influenced by defense, economic, and other objectives of United States foreign policy that have no relation to the specific case of injury before him. While the resulting decision may further United States foreign policy goals, thus benefitting the Nation as a whole, the whole cost of the decision is borne by the specific industry whose injury has been disregarded. Thus certain small industries are sacrificed, without compensation, to an Executive determination of what the national interest is. This amounts to class legislation.

The consideration of extraneous factors in reviewing Tariff Commission recommendations is an Executive amendment of escape-clause legislation; it was not written into the Trade Agreements Act by Congress. In carrying out our foreign economic policy, the President has many weapons in his arsenal. We believe that he would be able to fulfill his constitutional obligations even if he were deprived of the power to veto Tariff Commission recommendations based upon findings of serious injury to American industry.

Under H. R. 12591, as passed by the House, Congress is given the authority to overrule the President, but a two-thirds majority of each Chamber is necessary. As a practical matter this "concession" by the freetraders is a safe one; it will be difficult, if not impossible, to muster the necessary votes, especially after the President has already acted.

In order to give the principle of congressional review some meaning, we recommend that H. R. 12591 be amended to provide that Tariff Commission recommendations shall be sent directly to Congress rather than to the President. Congress should have the authority, by a simple majority of both Houses, to override Tariff Commission recommendations; otherwise the recommendations should be put into effect.

Such a procedure would return ultimate decision in tariff matters to its proper home, the Congress. This proposed change would also operate to throw action upon Tariff Commission recommendations open to the public. Decisions could no longer be made under the cloak of Executive secrecy; they would no longer be based upon considerations about which the industry concerned has no knowledge or opportunity to meet.

APPROVE NEW POWER TO INCREASE TARIFFS TO CORRECT INJURY

There are provisions in H. R. 12591 with which we agree. For example, we approve of the grant of authority to the Tariff Commission to recommend significant increases in duty, i. e., up to 50 percent over the rates in effect in 1934.

The worldwide inflation, coupled with the tremendous reduction in tariff rates through 1945, has made the present authority to raise tariffs inadequate to protect against cases of injury to domestic industry. We hope that this proposal will be accepted by the committee.

CONCLUSION

The Papermakers' Felt Industry asks the committee to report out a bill, incorporating recommendations similar to those made by our industry, to insure that our trade agreements program does not become a vehicle for sacrificing smaller American industries to the needs of mass producing corporate giants. We ask also that the committee reject entirely any Executive domination, based upon the Presidential power to veto Tariff Commission recommendations, over industry's right to relief from injury caused by United States trade policy.

RAYMOND J. LEE,
Chairman, Tariff Committee, Papermakers' Felt Association,
Lockport Felt Co., Newfane, N. Y.

Dated June 30, 1958.

STATEMENT OF THE THREAD INSTITUTE, INC., NEW YORK, N. Y., BY A. U. FOX, JUNE 27, 1958

JUNE 27, 1958.

Re Hearings H. R. 12591.

Hon. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SIR: Although we are not making a personal appearance before the Senate Finance Committee, on behalf of the thread industry, we wish to present the following views to you and the members of your committee in respect to H. R. 12591.

The members of the thread industry deeply appreciate the high purposes and motives prompting the endeavors to increase our foreign trade and to aid friendly countries, but they are sincerely apprehensive of the damaging results to American industry, which would follow if H. R. 12591 is enacted in its present form.

Accordingly, we wish to go on record as being opposed to the enactment of H. R. 12591, and herewith state in brief the reasons for our position.

THREAD INDUSTRY—COMPOSITION AND CAPACITY

The thread industry at present is composed of approximately 125 manufacturers with a total of 150 plants located mainly in small towns in over 20 States, where their economic importance is a vital factor. In addition to the manufacturing establishments, the industry maintains and operates many depots, branches and warehouses in hundreds of cities and towns throughout the country.

Payrolls are the economic backbone of a community. The strength of our Nation resides in the communities scattered all over the country. Therein lies the value of the thread industry and trade in the Nation's economy, providing, as it does, payrolls in communities, large and small, distributed throughout the country.

The industry produced in 1957 approximately 68 million pounds of thread. The capacity of American plants manufacturing cotton, linen, silk, rayon, and synthetic thread products is more than sufficient to furnish the requirements of the American market. Any marked increase in thread and textile imports caused by continued reduction in tariffs would reduce the employment of American workers and the textile industry as a whole would suffer commensurately.

The textile industry is worldwide, and the thread industry, as an essential branch of it, is also. Thread can be produced in many other countries at much lower costs than is possible in the United States, but the textile industry of America, the Armed Forces, and the public, cannot do without thread, and they cannot afford to be the victims of foreign monopoly or whim.

REASONS WHY THE THREAD INDUSTRY IS OPPOSED TO H. R. 12591

I

Passage of the bill would extend the Trade Agreements Act for a period of 5 years and during this period the President would be authorized to negotiate cuts in tariffs up to 25 percent of the rates existing on July 1, 1958.

Since a related provision permits negotiations embracing the full 5-year period of reductions, there is a grant of authority which could have an effect over a 10-year period. This is an unprecedented period of time, to say the least. The duration of any extension of authority should take into account the imminence of the forthcoming tariff classification and schedule revision which is to be submitted to the Congress by the Tariff Commission. In the light of rapidly changing world conditions, both political and technological, and in view of the unsatisfactory character of the past administration of the trade agreements program, certainly Congress should not set such a lengthy period which would preclude its making frequent reviews of our Nation's tariff policy.

Furthermore, the alternative methods of computing tariff concessions authorized by the act could lead to tariff reductions far above 25 percent. United States is one of the lowest tariff countries in the world and our tariff rates have already been reduced 75 percent to the lowest level in the 20th century, with over half of our imports entering the country free of duty, or at token rates. Further reduction of tariff rates should be deferred until an overall long-range foreign-trade policy has been determined by the Congress.

II

H. R. 12591 in its present form, provides that when the President has disapproved a Tariff Commission escape-clause recommendation, such disapproval may only be overcome by the action of both Houses of Congress within a 60-day period by a two-thirds vote of each House. This affords scant relief to oppressed industries whose businesses have been damaged by excessive imports, as in actual practice such action by Congress in the above situations is highly remote. In the light of the very few cases of actual relief given in the past 10 years, namely only one-third of the escape-clause recommendations of the Tariff Commission, it is imperative henceforth that these recommendations should prevail, unless Congress, by its action, supports a President's disapproval of the Tariff Commission's recommendation by a majority vote in each House.

III

H. R. 12591 again provides that enactment of the bill constitutes neither approval nor disapproval by Congress of the General Agreement on Tariffs and Trade (GATT). This is the fourth extension of the Trade Agreements Act in which this qualification has been made and yet during all this period Congress has not been disposed to resolve the issue.

GATT has actually been accepted only provisionally by all 37 contracting parties. It was made effective in the United States by Presidential proclamation. Experience under GATT has shown that the treatment accorded contracting parties has not been "reciprocal" by any means, and the so-called "concessions" granted have cost the United States deep cuts in our tariffs. Practically all GATT rules have been more honored in their breach than in their observance.

During the entire history of our country, and especially during the period of its association with GATT, we have always attempted to abide by the spirit as well as by the letter of international rules and agreements to which we have been a party. This has not been the case with the vast majority of other countries associated with GATT, who, although they may agree to certain tariff reductions, are notorious for the manner in which they avoid the effects of their concessions by means of quotas, import licenses, currency restrictions, advance deposits, exchange restrictions, exchange taxes, multiple-exchange rates, preferential exchange systems, preferential trade systems, and many others. In the revision of the GATT rules in 1955, the United States is placed in the subservient position of having to report annually on any modifications effected under the "waiver" granted it with respect to any import restrictions and quotas imposed under section 22 of our Agricultural Adjustment Act.

In accordance with our Constitution which provides for the fostering of United States trade, our tariff system and rates should be worked out through the

Tariff Commission and the Congress. We recommend, therefore, that Congress disapprove United States participation in the General Agreement on Tariffs and Trade. Negotiations seeking truly reciprocal benefits should be conducted bilaterally. The recent textile export quota established by the Japanese after extensive consultation with our Government clearly demonstrates that when the vital interests of our country are at sake, bilateral negotiation is necessary and should not be replaced by multilateral action of a conclave of 37 nations.

PRODUCTS OF THE THREAD INDUSTRY AND EXISTING TARIFF RATES

The products of the thread industry may be divided into two general classes (*a*) sewing thread, and (*b*) threads for handicraft. These threads are made of cotton, linen, silk, rayon, nylon, and other synthetic fibers.

The products manufactured by the thread industry are included in schedules 9, 10, 12, and 18 of the Tariff Act of 1930 (par. 902, 1004 (b), 1204, 1804); but at this time, as an illustration of how the present tariff system and the operation of the General Agreement on Tariffs and Trade proceedings have affected the thread industry, we wish to draw your particular attention to paragraph 902 which covers cotton sewing thread and cottons for the handicraft art.

In the agreement negotiated at Geneva in 1947, the tariff rates for paragraph 902 on cotton sewing thread and crochet, darning, embroidery, and knitting cottons were reduced 50 percent from half cent per 100 yards to one-fourth cent per 100 yards.

IMPORTANCE OF TARIFF TO THE THREAD INDUSTRY AND THE PUBLIC

It is a matter of statistical record that the entire textile industry has been in a depressed state for the past several years. Every branch of the industry has been caught in the squeeze between rising costs and low prices and the thread branch of the industry has been no exception.

According to the latest figures of the Federal Trade Commission and the Securities and Exchange Commission, the earnings in the textile industry have been among the lowest of all manufacturing industries, in fact the 21st out of 22 listed industries. Any substantial increase in textile imports brought about by further reductions in the tariff, could well postpone the now long overdue recovery of the textile industry and could well place American manufacturing business and American jobs in serious jeopardy. Imports in 1957 were well over $13 billion, nearly $3 billion more than the imports for the year 1954. These increasing imports, encouraged by substantial tariff rate reductions during this period, contributed materially to the disemployment of American workers. A McGraw-Hill publication, Business Week, reports in its June 7, 1958, issue that from a peak of 17½ million late in 1953, employment in manufacturing industries has declined by almost 2½ million workers.

If any segment of essential American industry is put out of business because of heavy inroads of foreign merchandise, the general health of our entire national economy will be endangered. In times of emergency, we have experienced the adverse effects of depending upon foreign sources for our supplies. Rubber, oil, certain dyestuffs are cases in point. At such times we must pay a high price for foreign supplies or may not even be able to obtain them at all. The thread industry, though small, is more important to the textile industry as a whole than the relative volume of its products would indicate. A healthy and prosperous textile industry must be assured of a continuity of thread supplies. The lowering of tariffs and the transferring of our sources of thread supplies to foreign countries would threaten the continuous operation of the textile and apparel industries and the entire American economy.

EXCESSIVE IMPORTS OF OTHER TEXTILE PRODUCTS SERIOUSLY AFFECT THREAD INDUSTRY

Of even greater impacts on the thread industry is the fact that imports of almost all finished textile products and wearing apparel, in which thread is consumed, have increased drastically during the past few years as a result of the successive decreases in our tariff rates which have already been made under the General Agreement on Tariffs and Trade. It is obvious that to the extent foreign textile finished goods are displacing United States production, to the same extent proportionately will the sale of sewing thread for such goods be reduced. It must be emphasized, therefore, that the Nation as well as the thread

industry has a significant stake not only in thread as such, but also in all those finished products which consume thread. The cumulative effects of such inroads on the thread industry are of substantial magnitude and have critical repercussions on this important segment of our economy, vital in peacetime as well as under emergency or war conditions. Unless we are prepared to base our security in wartime on imports from foreign countries, we cannot become dependent in peacetime on foreign suppliers of essential goods. It is essential to the American people that in peacetime we maintain the jobs and means of livelihood for the employees and their skills in this country. There is no other way if we are to have them available in a national emergency.

CONCLUSIONS

The conduct of foreign trade policy in recent years has been unsound. Objectives sought have not been achieved. Massive reductions in our tariff rates have been made. Our markets have been opened for the disposal of the surpluses of many foreign manufactured products which our own manufacturers can produce in adequate quantity to meet our needs. It has caused disemployment of American workers and transferred their jobs to foreign workers. It has not achieved trade reciprocity. We have reduced our tariff rates drastically in the past 10 years. Foreign nations have responded by increasing their barriers against our trade, or have made very much smaller reductions. Also, foreign countries employ many measures other than tariffs to prevent us from selling our manufactured goods to them. The Trade Agreements Act has not provided adequate escape clause or other industry and worker protective measures.

For all of the above reasons and considerations, we are opposed to H. R. 12591 in its present form. We would strongly urge that the Congress establish a policy which is constructive and broad, a policy whereby Congress would determine the tariff structure, and the Tariff Commission would carry out the intent of Congress. The policy of the United States should foster international trade through truly reciprocal bilateral agreements for the good of all American producers and workers and at the sacrifice of none.

Respectfully submitted.

THE THREAD INSTITUTE, INC.,
A. U. FOX,
Chairman of Tariff Committee.

STATEMENT BY MARX LEWIS, GENERAL SECRETARY-TREASURER, UNITED HATTERS, CAP AND MILLINERY WORKERS INTERNATIONAL UNION

My name is Marx Lewis. I am the general secretary-treasurer of the United Hatters, Cap and Millinery Workers International Union, a labor organization having a membership of approximately 40,000 men and women employed in the men's hat, cap, and millinery industry of the United States and Canada. We are affiliated with the American Federation of Labor-Congress of Industrial Organizations.

We are opposed to H. R. 12591, which extends the trade agreements program. It does so under conditions which we believe are injurious to our industry and to many other small industries.

Our opposition is not to reciprocal trade as such. Along with the labor movement generally, we have consistently favored the liberalization of trade. We have recognized that the inordinately high tariff duties which prevailed up until the early 1930's constituted a serious barrier to freer trade, upon which the welfare and possibly the peace of the world depended.

While rejecting the high-protective policies which we traditionally followed since the inception of our Republic, and while accepting the theory that a system of freer trade would benefit our Nation and the nations of the world to whom we must sell if our own economy is to be sound and healthy, we are convinced that the reciprocal trade treaty program, which H. R. 12591 proposes to extend for a 5-year period, as presently administered, fails to achieve the professed objectives of reciprocal trade and at the same time does grave injury to many of our smaller industries, without offering any compensating advantage for world trade.

Our reasons for these conclusions are as follows:

(1) The reciprocal trade treaty program, when it was first put forward in 1934, was predicated upon the assumption that there would be an all-round lift-

ing of trade barriers. Mutual concessions on import duties were considered to be only one of many methods by which a freer flow of trade would be accomplished. There were also many other impediments to freer trade which it was thought had to be removed if the purposes of a reciprocal trade treaty program were to be attained.

We have done our part; I am sure that the evidence presented to your committee reveals the lengths to which we have gone to meet our obligations under the program. But our trading partners abroad have not done theirs. They have employed a large variety of devices, such as embargoes, import quotas, import licensing programs, exchange control, cartels, and state trading to impose the very restrictions that the program was intended to eliminate. Thus the nations with which we have been trading have maintained and even multiplied the impediments to world trade.

If reciprocal trade is to be more than an illusion, we should restrict its benefits to those nations which adhere to the spirit, intent, and letter of the program. We should insist that the barriers which the other nations have erected, while we were eliminating ours, should be abolished.

(2) It was also thought, at the time the reciprocal trade treaty program was launched, that one of its effects would be to raise the living standards of the masses throughout the world, and thus create a better market for the products produced by their own industries and for the products which our industries here hoped to sell to them.

This expectation has not been realized. An improvement in living standards has undoubtedly taken place since World War II. But it would be too much to say that it was due to any appreciable extent to our tariff policies or reciprocal trade. Such improvement in living standards as has occurred was due, rather, to the reconstruction of industries destroyed by war and to the recovery of various economies facilitated by our foreign aid programs.

In large parts of the world the improvement has been negligible. While we in the United States have enacted minimum wage standards in order to prevent unfair competition between one State and another deriving from impoverished labor and low-wage standards, we have thrown our gates wide open to the reception of products made under virtually slave labor conditions abroad.

It is their low wage standards which give many foreign countries the competitive advantages which they enjoy and enable them to undersell us and undermine our industries. Certainly, that is true in the case of our own industry.

For example, most of the raw materials used in our hat-body industry are sold in a world market. The Czechoslovakian manufacturer pays the same price for these raw materials as the American manufacturer. If, nevertheless, he can ship his hat bodies into our country and sell them at a price far below the price our manufacturers charge, as is the case, it is due solely to the low wage rates which prevail in his country.

Japan is a good illustration of what I have in mind:

According to a report published by the Trade Unions of Japan in February of this year, 4,660,000 Japanese industrial workers, or approximately 35 percent of Japan's total number of workers, receive wages which, in terms of United States currency, amount to $22 or less per month. Some 17,700 workers, or 72 percent of the total work force, according to the same source, are unable to maintain a minimum standard of living, which in Japan would require $77.70 (in terms of United States currency) per month. It is impossible for the large majority of the working masses to approach the minimum they require even when they engage in overtime work or in work on rest days. The official figures show that unscheduled hours of work reach some 22 hours monthly besides 180 hours of scheduled work per month.

This report goes on to state:

"In addition to low wage and long working hour systems, which characterize the working conditions of Japan, modernized ways of exploitation have been introduced, chiefly through 'scientific labor management' carried out by overseer system, speedup of conveyor belts, motion study by stopwatches, and increase in the number of machines in charge. Labor has been tremendously intensified in the last few years along with the mechanization and automatization of industries, as a result of which labor accidents have greatly increased in number.

"In spite of some increase in real wages, working conditions have been drastically deteriorated since the end of the war, due to labor intensification and excess in nervous tension brought about through introduction of modernized machines in recent years.

"Some 50 percent of them [the day workers] cannot afford to obtain maximum profits through trade with foreign countries. Their basic policies have been and are to lower wages, and production costs. This resulted in the low living standards of the general public on one hand and social dumping on the other. This has been the source of their exorbitant profits."

The foregoing proves at least several things: First, that reciprocal trade has not contributed, at least so far as Japan is concerned—and the same could also be said of other countries—to the improvement of the living standards of the large masses of the people, which improvement was one of the avowed objectives of the program; second, that domestic manufacturers cannot even begin to compete with the Japanese manufacturers making similar products, who, in addition to a high degree of efficiency, have the advantage of a low-wage cost; and third, that the principal beneficiaries of any liberalization in trade which we further have been not the workers but their exploiters.

The Japanese trade unions are now engaged in a struggle to obtain by legislation a minimum wage of $22 per month. They are also engaged in an effort to enforce certain social welfare laws which, they claim, on paper compare favorably with the social welfare laws in other countries, but are honored more in the breach than in the observance.

We ask the Congress to establish as a fundamental objective of our international trade policy the promotion of fair labor standards in international trade. In particular, the Congress should direct the President to seek in multilateral trade negotiations effective action by exporting countries to establish and maintain fair labor standards in their exporting industries commensurate with the level of productivity in such industries and in the general economy of the exporting country. The prosperity of those countries abroad would then be fostered by the building up of their home markets rather than by an invasion and destruction of the markets of countries with higher standards of living.

Legislation along this line has been proposed, and we feel that such legislation ought to be considered favorably if we seriously intend to make reciprocal trade a fact instead of a slogan and theory.

(3) We believe that if it is necessary and desirable, as we are convinced it is, for other countries to have a reasonable share of our market, in return for whatever share we may be able to obtain in their markets, a method ought to be devised to establish an equitable basis on which this exchange of products can take place.

We have industries which are expanding and which can absorb a fair share of the products of other nations, even if the effect of such absorption might reduce their profits. In such cases, other nations should be given every encouragement to participate in our market.

On the other hand, we have industries which are contracting, and where importations, of whatever amount, constitute a serious economic problem. Our industry is one of them. The market for our product is shrinking. Our capacity to absorb imports is nil. Any such absorption, however minor, must have serious economic consequences for our industry. In 1950, when imports of women's fur felt hat bodies constituted close to 40 percent of our total domestic production, we obtained purported relief under the escape clause. Yet today, imports amount to almost 65 percent of domestic production. We believe that this is more of a sacrifice than we should be called upon to bear.

If, in the interests of a more liberal international trade policy, sacrifices must be made, those of our industries which are growing and expanding should, at the very least, bear a proportionate share of the burden. There are such expanding industries in our country which have imports that amount to less than 2 percent of total domestic production. They are all in favor of free trade. Yet when one of them, a large steel corporation, was suddenly confronted with imports which amounted to less than 1 percent of their own production, it demanded protection.

In determining tariff policies, our Government should exercise a process of selectivity. Expanding industries should be required to take their fair share of imports. Smaller and contracting industries should not be expected to shoulder the full burden. Our tariff policies ought not to be used to facilitate the destruction of small industries.

We believe that one way of accomplishing this would be the introduction of a quota system. We know that the idea of a quota system is anathema to free traders. They see in it a negation of the liberalization of trade to which they aspire. They also foresee difficulties and complexities such as the building

up of a bureaucracy and the creation of a maze of regulations. They also purport to see the possibilities of corruption, the injection of influence, favoritism and peddling.

But none of these are the inevitable consequences of a quota system. They may have existed in the past. To some extent they may still exist. But we feel that a system can be devised which would enable other nations to have a fair share of our market without incurring any of the dangers which quota systems in the past have produced.

Legislation along that line has been introduced in the Congress. We are confident that such legislation offers a satisfactory and constructive alternative to the present system, which creates undue hardship on industries least able to stand it, and substitutes for it a system which would give other countries an assurance that they would share equitably in whatever benefits our market has to offer.

(4) We feel that the escape-clause procedure as presently set up is wrong in theory and quite useless in practice. It is wrong in theory because it transfers to the executive branch of our Government a function which under the Constitution is vested in the legislative branch. We do not believe that such constitutional changes should be made by such indirect methods. If they are to be made they should be made with full knowledge of what the change involves, and after due deliberation, as is done whenever constitutional changes are considered. We feel that the escape-clause procedure is useless in practice because it fails to achieve the purposes for which it was designed. It does not afford the protection which it was thought it would provide.

The bill under consideration proposes to make improvements in the escape-clause procedure by shortening the period in which investigations by the Tariff Commission have to be undertaken and completed, and in several other minor respects. We do not believe that these additional safeguards are adequate. Instead, we believe that the final power to determine the fate of recommendations made by the Tariff Commission in cases where the Commission, after investigation and due consideration, finds that an industry is threatened with destruction, should be restored to Congress, where it properly belongs.

(5) The American labor movement, as represented by the American Federation of Labor and the Congress of Industrial Organizations, has consistently supported the reciprocal trade program from its inception. It insists, however, that, since our tariff and trade policy is a national policy adopted in the interest of the entire Nation, it is the responsibility of the Federal Government to reduce the hardship of those adversely affected by increased imports resulting from reduced tariffs. We concur in this view.

We are not sure that the answer to this problem is the incorporation, as an integral part of reciprocal trade extension, of provisions for various types of assistance to workers, communities and firms to make the necessary adjustment to the impact of increased imports.

We are not prepared to accept a dole in lieu of jobs. The workers in industries such as ours cannot be retrained very readily to take jobs in other industries. One of the arguments advanced in favor of a liberal trade program, as distinguished from economic aid, was that the workers in other countries want trade, not aid. That is precisely what our workers want—trade, not aid.

If there are any safeguards that can be erected to minimize the hardships caused by mounting imports, we would favor their inclusion in pending legislation. But we do not regard a proposal of financial aid, which is tantamount to a dole, as the kind of safeguard which meets our need.

We have indicated several ways in which the principle of a more liberalized world trade can be maintained without creating the hardships which the present program has imposed. We do not believe that the safeguards we advocate, several of which we have suggested, mean a return to the days of high protective tariffs. Those days are gone. They are not likely to return. We do not favor their return. Protectionism, as it was known in the past, is gone beyond recall. But we do believe that a liberal foreign trade policy can be advanced under terms and conditions which will give foreign countries a reasonable part of our market, without destroying our own industries.

In the meantime, we would very strongly suggest, in addition to some of the precautionary measures we have recommended for your favorable consideration, that the proposed extension bill be limited to 2 years. We ought not bind ourselves for a longer period under rapidly changing conditions. We ought not to surrender for a 5-year period our freedom to reconsider our decision if in the light of new conditions we find that a change in policy is justified.

TANNERS' COUNCIL OF AMERICA, INC.,
New York, N. Y., June 30, 1958.

STATEMENT ON BEHALF OF LEATHER INDUSTRY ON PROPOSED EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: This statement is submitted by the Tanners' Council of America, the national trade association of the tanning industry. It embodies the views of leather producers, their employees, and communities in which leather plants are situated throughout the country.

The foreign-trade law and the bill for its extension which you are considering is a cruel misnomer to our industry. We believe that if the bill is passed in its present form, it will help perpetuate a condition which has become nothing more than a hoax for the leather and leather-consuming industries of the United States.

THERE IS NO RECIPROCITY

For 10 years we have been waiting for reciprocity in foreign trade, and for 10 years this industry has been the victim of a completely one-way deal in foreign trade. In return for the sacrifices we have made under the law, almost every other country has subjected our industry to the grossest kind of discrimination in foreign trade.

For 10 years we have asked for equality in trade. The answer we invariably receive condones, excuses, or justifies discrimination abroad, urges patience, and holds out the promise of foreign-trade reciprocity at some future date. In the meantime our small leather markets abroad have been almost completely lost and our own markets at home have been flooded by foreign shipments of subsidized and low-wage-cost products. The reality we experience abroad is discrimination, the use of an endless variety of artificial devices to deny United States tanners the privileges in trade which the United States accords to other countries.

Here are the facts. First, the total dollar volume of United States leather exports and United States leather imports demonstrates the consequences of a one-way deal in foreign trade.

Leather imports and exports

[Annual value in thousands of dollars]

	Total imports	Total exports
1947-49 average	9,179	15,217
1954	17,183	21,597
1955	22,482	22,133
1956	28,696	21,208
1957	31,558	21,986

Our exports have shown the foregoing drastic decline because quota restrictions, exchange controls, bilateral deals, and outright embargoes are the order of the day in country after country. No major trading nation in Western Europe accords United States leather any reciprocity whatsoever. For example, our markets are free and open, without let, hindrance, or restriction, to shipments from West Germany. Can United States tanners export on a similar basis to West Germany? No.

In spite of the West German favorable balance of trade, that country has deliberately procrastinated on the elimination of import quotas and exchange restrictions which effectively shut out United States leather. Since "dollar shortage" can no longer be an excuse for West Germany, the incredible reason offered for discrimination against United States leather is—"The current depressed state of the German-leather industry undoubtedly plays a part in the German reluctance to liberalize dollar leather imports at this time." The foregoing is quoted from a letter received from an administrative agency of the United States, dated February 25, 1958. The description was not correct, but even if true, are obligations to engage in trade reciprocity affected by the vary-

ing economic condition of an industry? Would the Government of the United States impose restrictions on leather imports into this country because the tanning industry is experiencing difficulties?

Tariffs and trade treaties are meaningless when contractural obligations are violated through artificial and discriminatory foreign tactics. It is utter nonsense for the United States to reduce its tariff rates progressively, in exchange for supposed tariff benefits abroad, when foreign nations simply do not permit United States leather to be imported. The treaties negotiated under the law are hollow and a mockery of the objectives approved by Congress. Instead of receiving reciprocity the United States leather industry has been and is the victim of gross inequality. Leather from United States is effectively barred by the United Kingdom, France, Italy, West Germany, Spain, and dozens of other countries.

Throughout the postwar period the tanning industry has urged and beseeched the United States Government for protection against inequity and lack of reciprocity. Time and again the industry has been assured that foreign discrimination was temporary, that some day reciprocity would really come and that our foreign trade would be genuinely two-way instead of completely a one-way proposition. Nothing of the kind has happened. Instead of trade barriers and discrimination being eliminated, they have multiplied. Appeasement by the United States has led to indefinite delay, to constant excuses and to the adoption of discriminatory trade barriers by more and more countries. When West Germany, with a favorable dollar balance of trade, can circumvent the obligations of reciprocity with impunity, other nations have no hesitation in following suit.

FOREIGN SUBSIDIES ARE NOT PENALIZED

Complete lack of reciprocity in foreign trade is aggravated by the subsidization of foreign leather. Here, again, indirect devices are used to circumvent the penalties and prohibitions of the United States tariff law. Foreign leather enters the United States with the advantage of tax remission at home. In West Germany, for example, exports are subsidized by the remission of taxes on shipments sent abroad. Such tax advantages for German exporters are just as much a subsidy as the direct transfer of funds from the Government to the exporter.

There are other forms of foreign subsidy. Mexico imposes an export tax of 45 percent on raw materials such as cattle hides and goatskins. The effect of this export tax is to give the Mexican leather producer a 45 percent advantage in raw material cost over the world market cost of the United States tanner. The committee's attention is also called to the export quotas on calfskins maintained by the French Government. The latter country, supposedly in need of foreign exchange, and dollars above all, deliberately restricts commercial exports to give artificial protection to a domestic group. Such denial of access to raw materials abroad has plagued United States tanners again and again in the postwar period.

The United States Government has refused to acknowledge that remission of taxes by foreign countries on export shipments represents subsidy. The competition of such subsidized imports has already caused serious damage to the United States leather industry. Unless such unfair competition is stopped and penalized, it will grow to an extent jeopardizing the price structure, employment, and profit in a host of domestic industries.

INEQUALITY IS A TWO-EDGED SWORD

Lack of reciprocity in foreign trade gravely injures the tanning industry of the United States in two ways. Foreign leather producers, protected at home against any competition by unfair trade barriers, are able to raid United States raw material markets with impunity. The foreign leather producer who enjoys a monopolistic or cartel profit at home can pay prices for hides and skins which the competitive United States leather industry cannot afford to pay. It is an amazing paradox that supposedly indigent countries abroad are able to buy raw calfskins in the United States at prices which the United States economy cannot afford to pay.

Loss of raw material in the United States has burned the candle of the tanning industry at both ends. In the first 4 months of 1958, 35 percent of the United States raw calfskin supply has been exported to countries including Japan, West Germany, France, Holland, Italy. Loss of this raw material, a

direct consequence of one-sided trading in leather, has injured tanners, shoe manufacturers, shoe retailers, and consumers. Discriminatory protective trade barriers abroad insulate foreign cartels against competition and enable them to inflate United States raw material markets.

COMPOUNDING INEQUITY

The growing difficulties, problems, and injury suffered by the leather industry of the United States during the postwar period has been compounded by a flood of importation in finished leather products. The restrictions and discrimination to which United States leather is subjected abroad are exaggerated by the great increase in shipments to the United States of handbags, gloves, wallets, shoes, camera cases, sporting goods, and a great variety of other leather products, in addition to leather. Such imports reflect the enormous disparity in wage standards between the United States and every other area of the world. Lack of reciprocity in trade in leather products has had effects just as vicious as the absence of reciprocity for the leather industry itself. Foreign discrimination aggravates the effects of the vast difference in wage standards between the United States and every other country.

TEETH NEEDED IN LAW

The present foreign trade law and the bill for its extension have no teeth. The law permits other countries to flout reciprocity and to discriminate against United States industry. It imposes no penalty whatsoever against countries which do not do unto us as we do unto them.

The absolute minimum change needed in our foreign trade policy for the sake of the objectives espoused by the United States is a clear-cut and enforceable quid pro quo. The privilege of open and unrestricted trade with the United States must be denied to countries which ignore their treaty obligations. Countries which discriminate against the United States by raising and maintaining import barriers to protect their cartels or monopolies must not be given the privilege of open and unrestricted access to our domestic market. The leather industry demands that the law be made clear and emphatic in that respect in order to end a situation that is certain to destroy great segments of United States industry.

In the name of reciprocity the tanning industry also asks that the penalties of our tariff law against subsidized imports be enforced without delay and without equivocation. True competition and equity for United States industry demand that antisubsidy penalties be enforced and not excused.

The tanning industry submits that the history of the postwar period has exposed the operation of the Reciprocal Trade Agreements Act as a one-way commitment by the United States. The objectives of the law have not been met in practice. They have been frustrated and defeated by foreign evasion. Domestic industry has already paid a heavy price for constant appeasement by the United States in failing to demand reciprocity. Unless appeasement stops, unless Congress requires the enforcement of reciprocity, a costly and tragic climax awaits United States industry.

To meet the cellar-cut difficulties of the present law and its operation the leather industry asks that—

(1) Equity be restored to foreign trade. Discrimination against exports by United States industry should be penalized by equivalent restrictions against nations guilty of such discrimination.

(2) The law should lay down explicit mandate for enforcement of antisubsidy penalties including subsidies based on the remission of taxes abroad on shipments to the United States.

(3) Any further tariff reduction by the United States should be avoided until and unless injury to domestic industry caused by lack of reciprocity has been rectified.

(4) In view of the amazing shortcomings and failure to practice reciprocity by other countries it would be foolhardy to extend the law for 5 years. Such a long-term commitment by the United States can only strengthen the avoidance and evasion of reciprocity by others. The law should be subject to annual review in order that shortcomings in trade practice by other countries be rewarded in kind.

Sincerely yours,

IRVING R. GLASS,
Executive Vice President, Tanners' Council of America.

STATEMENT OF E. L. WHEATLEY, PRESIDENT, INTERNATIONAL BROTHERHOOD OF OPERATIVE POTTERS

This statement is submitted in lieu of a personal appearance because my request to appear was denied on the grounds that it was received after the deadline. I therefore request that it be made a part of the printed record.

I do not consider it necessary to repeat our reasons for permission to be heard. The makers of pottery in this country have told their story many times before congressional committees. This industry is one of those that is highly vulnerable to imports because of the high percentage of labor cost to the total cost of production. Our employers, we recognize, could not support the prevailing-wage standard in this country if the low-wage competition from abroad were not offset by tariffs.

Our present concern is that these tariffs are in fact not high enough even today to be of much help. They have been reduced from time to time under the trade agreements program. What we really need is an import quota that would not allow imports to take more than a predetermined share of the market, thus allowing the domestic industry to live. Already in the fine china field imports are supplying over 90 percent of the market. They do not have far to go to wipe out what is left of our domestic industry.

Several pottery plants have gone out of business within the past year or two and others are holding on with fading hopes. In many places, in addition to the unemployed, many of our members are on part-time work. This, of course, has reduced their income and therefore their power to purchase the products of other industries.

For obvious reasons we are greatly interested in the pending tariff legislation. I need hardly say that we are opposed to H. R. 12591 in its present form and believe that it should be amended if it is not to represent legislation highly detrimental to the future welfare of our members.

We strenuously oppose the 5-year provision of the bill. If this should pass we would not longer have any real access to Congress. The Executive power would become so deeply entrenched in its control of our foreign trade that it might never be possible to bring back the power of Congress. We feel very strongly about this. We might as well be deprived of our vote in national elections.

So far the White House has used its power under the Trade Agreements Act largely to ward off the remedies proposed by the Tariff Commission under the escape clause. This is an amazing situation and one that weighs heavily in shaping our views in this matter. The Executive has had all the time needed to show that the assurances that have come from the White House in the past 24 years meant what they said. Time after time one President after another has said that no domestic industry was to be jeopardized or seriously injured by the trade agreements program.

Yet when relief has been proposed by the Tariff Commission it seems that a different President from the one giving the assurances must have acted. It has not been possible to reconcile the Presidential actions with the Presidential assurances.

This being the case, we feel that the power of the President to strike down Tariff Commission recommendations at will should be taken away from him and lodged in Congress. This is where this power belongs, in any case, under the Constitution. Since the Presidents have so openly and callously broken their promises, the power exercised by them under a grant from Congress should be pulled back.

H. R. 12591 should be amended so that there could no longer be any doubt about the supremacy of Congress over the escape clause. If the President should seek to veto or reject a Tariff Commission recommendation in the future, he should have to obtain the approval of Congress beforehand. If Congress did not give him such support by affirmative action, the Commission's recommendation should go into effect.

This would put a stop to the present and past hypocrisy of the Presidents in asserting sympathy for domestic industry and the workers when they are badly injured by imports, while, at the same time, refusing to apply the remedy intended by Congress and proposed from time to time by the Tariff Commission.

It has come to our attention that Senator Strom Thurmond has introduced an amendment that would accomplish a cutback to 2 years from the 5 years

contained in the House-passed bill, and would require congressional approval of a Presidential rejection of a Tariff Commission recommendation under the escape clause before it could take effect.

We support the Thurmond amendment and urge its adoption.

EAST LIVERPOOL, OHIO, *July 1, 1958.*

EDWARDS & ANGELL,
Providence, R. I., June 28, 1958.

Re trade-agreements-extension bill

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: I was much distressed by the passage by the House of Representatives of the administration's bill (H. R. 12591) extending the Trade Agreements Act for a further period of 5 years, and continuing the President's power to regulate commerce with foreign nations, including the imposition of tariffs, a legislative power expressly vested by the Constitution in the Congress (art. I, secs. 1 and 8).

That the legislative power of Congress cannot be delegated, see *United States v. Shreveport Grain & Elevator Co.* (287 U. S. 77 (1932); *Panama Refining Co. v. Ryan* (293 U. S. 388 (1934)).

The apparent attempt to remedy this defect in the existing law by giving to Congress the power to veto the President's action by a two-thirds vote of each House does not, I submit, render the measure constitutional. Incidentally, the inclusion of this provision in the bill (with the full backing of the administration) is a clear admission that the power conferred upon the President is a legislative and not a mere administrative one.

By the terms of the bill, the President is given the power either to approve or disapprove a report of the Tariff Commission of its investigation and hearings regarding alleged serious injury to a domestic industry.

If the report is approved by the President, the action recommended by the Tariff Commission becomes effective, without any action at all by the Congress.

If the report of the Commission is disapproved by the President, in whole or in part, such disapproval is final unless the action recommended by the Commission is approved by both Houses of Congress by a two-thirds vote.

In the case where the President approves the report of the Tariff Commission, the Congress is deprived of all power whatsoever in the matter—a clear violation, I submit, of the rule forbidding the delegation of legislative power by the Congress.

In the case where the President disapproves the report of the Commission, the power given by the bill to Congress to veto the President's action does not, I submit, render the delegation of power to the President lawful.

The Constitution provides for the enactment of legislation by the Congress, with the right of the President to veto the legislation. It does not provide for the enactment of legislation by the President, with a right of Congress to exercise a veto power, which is what the bill under consideration does.

This, I submit, is an important distinction. The President's veto power is one that should be sparingly exercised, and his action in many cases should be influenced by the action which Congress has already taken.

If we have gotton to the point where the President is to enact the legislation subject to the approval of Congress (by a two-thirds vote of both Houses), we have, in effect, rewritten an important part of the Constitution, a procedure which I used to think was by way of amendment in accordance with the terms of article V.

So much for the constitutional question.

There is, in addition, the fact that the executive branch of the Government has exercised its powers under the act arbitrarily and in such manner as to inflict great injury upon certain of our industries, not the least of which is the textile industry. As a result, huge pecuniary losses have been suffered, and hundreds of thousands of employees have lost their jobs. I am sure that you must be throughly familiar with the facts which have been presented to the committees of Congress by numerous witnesses.

I earnestly urge that the tariff power be returned to Congress, where, under the Constitution, it belongs. Let those who think the power should be vested in the President seek an amendment to the Constitution, but let's have an end to the unlawful exercise of legislative power by the Executive.

With kindest regards, I am,

Very sincerely yours,

ROBERT B. DRESSER.

STATEMENT OF THE NATIONAL WOOL GROWERS ASSOCIATION, EDWIN E. MARSH, EXECUTIVE SECRETARY

The National Wool Growers Association is the oldest national livestock organization in the United States, and for 92 years has been the recognized spokesman for the farmers and ranchers of the Nation who grow wool and lambs. This statement is also presented in behalf of the National Wool Marketing Corp., with headquarters in Boston, Mass. The National Wool Marketing Corp. is the largest grower cooperative wool-marketing organization in the United States and has some 85,000 woolgrowers in its membership.

The domestic woolgrowing industry wholeheartedly endorses the amendment to H. R. 12591 introduced by Senator Strom Thurmond on June 24. We strongly favor the 2 features of this amendment to (1) restore to Congress some authority over Tariff Commission recommendations and (2) give Congress an opportunity to review this program in the light of conditions 2 years from now in lieu of freezing the trade-agreements extension for a 5-year period.

We are sure this committee and the Congress are aware of the economic plight of the domestic woolgrowing industry during the last decade. Already hard hit by a squeeze between price ceilings and mounting costs during World War II, the industry faced almost certain extinction when in 1958 a 25-percent reduction in wool tariffs was negotiated under the Trade Agreements Act. Ineffective methods of obtaining relief under the act allowed the situation to get so bad from import competition that by 1954 the industry had lost almost 50 percent of its production. Congress, therefore, found it necessary to enact special legislation to prevent these imports from completely destroying American production.

As a result of our experience we feel strongly that the welfare of the American producing economy, including industry, agriculture, and labor, depends on the resumption by Congress of its established authority to regulate tariff and trade policies. We are certain that the Senators and Representatives in Congress are much more responsive to and familiar with the needs of their States than is the executive branch of our Government. Senators and Representatives have a greater knowledge of the impact of injury on domestic industry and labor than do the tariff and trade policymakers for the administration. We feel that entirely too much of this trade policy is determined by the career members of the State Department, who are dealing in international affairs without full knowledge of, concern for, or responsibility to the American producers.

Therefore, we are concerned with what we consider abandonment by Congress of these rights of the people to control foreign trade through their Senators and Representatives in Congress, as set forth in the Constitution, through delegation of final authority on these matters to the executive branch of the Government.

It is true that Congress has set up safeguards in the Trade Agreements Act which have been established for the protection of domestic industry. However, in many instances, we feel, the effectiveness of these intended safeguards has been nullified by the wide discretionary powers vested in the executive branch of the Government which permit the overruling of Tariff Commission recommendations. Administrative decisions have obviously been strongly influenced by considerations far removed from those intended by Congress when safeguard provisions of the statutes were enacted.

Senator Thurmond's amendment would return to Congress some of its presently abandoned authority over tariff and trade negotiations. It would give added assurance that trade and tariff negotiations and safeguards in the Trade Agreements Act are administered both on the basis of our relations with other nations and also on the basis of consideration for the economy of American industry, agriculture, and labor.

When the escape clause was made a part of the Trade Agreements Act, it was done with the express purpose of providing a means of protection for domestic

industry suffering from import competition. However, the Congress which enacted the escape clause presently has no authority whatsoever in seeing that Tariff Commission recommendations under its provisions are made effective. Senator Thurmond's amendment would return to Congress some of its authority in escape-clause procedures and would provide an effective check on decisions of the administrative branch.

We feel very strongly that this strengthening of the escape clause is vital to the future economic welfare of a great number of agricultural and industrial enterprises in the United States. One reason for our interest is the present threat to our lamb market from importations of frozen dressed lamb. More than 50 percent of the United States sheep producers' income is derived from the sale of lambs. New freezing processes for dressed meats in foreign countries, where labor and production costs are much lower than ours, have made it advantageous to ship frozen lamb to the United States, regarded as a most attractive market. During certain seasons of the year a small increase in the supply of dressed lamb can break our market. New Zealand shipped us 408,000 pounds of lamb and mutton in 1956 and more than 1.6 million pounds in 1957. Australia's shipments rose from 921,000 pounds in 1956 to 1.4 million pounds in 1957. Canada's shipments climbed from 10,000 pounds in 1956 to 403,000 pounds in 1957.

With low production costs in New Zealand, for example, and a tariff of only 3½ cents per pound, domestic lamb producers face serious trouble. We doubt that the present ineffective methods of seeking relief either through the escape clause or section 22 of the Agricultural Adjustment Act can save the sheep industry from severe damage if this is not corrected.

We also feel strongly that the provision in Senator Thurmond's amendment for a 2-year extension is most sound. In view of unsettled and rapidly changing conditions on the international scene, we feel that Congress should not bind itself to a 5-year program. Congress should have the opportunity to reexamine our trade picture and legislate accordingly in a much shorter space of time than 5 years.

Therefore, in conclusion and in the interests of both a sound international policy and a sound domestic policy, we strongly urge the adoption by the Senate Finance Committee and the passage by Congress of Senator Thurmond's amendment to H. R. 12591.

NATIONAL SHOE MANUFACTURERS ASSOCIATION, INC.,
New York, N. Y., July 1, 1958.

Hon. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SIR: The National Shoe Manufacturers Association, representing manufacturers producing over 80 percent of all footwear manufactured in the United State, respectfully urges that the Trade Agreements Extension Act be limited to a period of 3 years, with the additional provision that any increase negotiated shall not become initially effective after the expiration of the 3-year period.

We believe that an extension beyond the 3-year period at a time of considerable uncertainty is not sound policy. A 5-year extension of the act would be the longest in the trade agreements' 24-year history. To move so far into the future with so many imponderables today both at home and abroad is wholly unnecessary. The record indicates that all authority granted by the 1955 Extension Act has not been used. Negotiations with the Common Market, furthermore, admittedly will not get underway until 1961. Furthermore, a 5-year extension ties the hands of future Congresses and a future administration. Changed conditions before the expiration of the 5-year period may well require a new approach to the problem. Even from a world psychological point of view a 3-year extension will serve the purpose quite as well as a 5-year extension.

The use of any tariff-cutting authority, furthermore should be limited to the period covered by the act. Under the present 5-year extension, tariff cuts could extend over a period of 10 years. For example, the bill as passed by the House authorizes a maximum 25 percent reduction of a rate extended over a period of 5 years. If, however, a 25 percent reduction were to be arranged just prior to the expiration of the 5-year act but to become effective at the rate

of 5 percent during the following 5 years, the effective life of the extension would in reality be 10 years.

For these reasons it is urged that any approval of the act be limited to a period not to exceed 8 years, and that tariff-cutting authority be limited to the period covered by the act.

The provision for escape-clause relief in the House-approved trade agreements bill requiring a two-thirds approval for each House if Presidential action is unworkable. We urge that consideration be given to a practical plan whereby the President report to Congress any recommendations differing from recommendations of the Tariff Commission. If Congress does not act on the President's proposals, the Tariff Commission's recommendations should then automatically go into effect. Under some such procedure congressional participation in any policy of deviation from Tariff Commission recommendations would seem sound and just.

Respectfully submitted.

MERRILL A. WATSON,
Executive Vice President.

(Whereupon, at 4:15 p. m. the committee was adjourned, to reconvent at 10:05 a. m., Tuesday, July 1, 1958.)

TRADE AGREEMENTS ACT EXTENSION

TUESDAY, JULY 1, 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 Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Kerr, Frear, Anderson, Martin, Williams, Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

The first witness is Mr. E. L. Torbert, United States Potters Association.

Mr. Torbert, you may proceed, sir.

Unfortunately I have to go to the Armed Services Committee, where Mr. McElroy is testifying. What I do not hear of your statement I will read.

Mr. TORBERT. Yes, sir.

The CHAIRMAN. Proceed, sir.

STATEMENT OF E. L. TORBERT, UNITED STATES POTTERS ASSOCIATION

Mr. TORBERT. Mr. Chairman and members of the committee, before reading my formal statement, I would like to make some comments with reference to the bill under consideration, H. R. 12591.

We urge that no further cuts in the tariff rates be permitted.

We recommend strengthening of the escape-clause procedure to insure reasonable opportunity to prove injury.

Extend the Trade Agreements Act for 1 year.

Now to proceed with my formal statement.

I am of a domestic industry which has been severely hurt by an increasing flow of imports that has been encouraged by the Trade Agreements Act as it has been administered.

It would be repetitious of me to recount the growing injury suffered by this industry, manufacturing lightweight china and earthenware tableware for household use, except to say that by 1957 over 90 percent of lightweight china tableware purchased for use in this country was produced abroad; and domestic earthenware production in 1957 had been reduced to 50 percent of 1947 production.

Not only have we been denied relief on two occasions, though the criteria of injury were clearly present, but tariffs on offending imports were subsequently reduced.

As you have been told, and will be told, the list of domestic industries being adversely affected by imports is lengthening. And you will be told that some of this foreign competition for our domestic market has been financed by United States foreign aid dollars and that more of it is due to private United States investment abroad.

Dismissing for the moment the question as to whether this is good or bad, this situation is growing out of our foreign-trade policy, of which the Trade Agreements Act is a basic part. And the trade measure which comes to you from the House of Representatives is designed to extend this sort of change in our economy and the economies of other nations with which we have commerce.

This policy has been adopted in the cause of good relations with the free nations of the world.

We are, through our trade policy, encouraging interdependence between the United States and other countries having different economic standards, different political structures and even different philosophies regarding the rights and dignity of citizens.

My question is not whether this materialistic approach to the problem of containing communism is good in itself.

Instead, I wonder whether the elements which we are unleashing are those which we can control. If not, could they undo what we seek to accomplish?

Allow me, for a moment, to review our circumstances as I see them. I think many will agree with me that we are in a difficult period of post-war adjustment.

During the war, the United States was the arsenal for democracy. Industry and agriculture were encouraged under our free-enterprise system to supply our allies and erstwhile allies with those things needed to defeat a common enemy.

Since the war, we have done what we could to fill the war-created void of both the ends and the means of production in friendly countries and in countries we would have as our friends.

Without question this has created a productive capacity in agriculture and in many branches of our domestic industry in substantial excess of domestic demand.

As we move toward completion of this phase of our free-world mission, we find two very normal developments taking place. Both affect the pattern and volume of trade conducted between the United States and other countries of the world.

On one hand we find nation after nation, singly and in groups, striving for self-sufficiency and strength within.

Manufacturing is encouraged by direct governmental aids; home markets are protected from competing imports; and exports are, in many cases, subsidized. These countries have become stronger with our assistance, and I believe this was one objective of our foreign-aid program.

On the other hand, we find the cost equation in the natural laws of supply and demand asserting itself. More and more products which we once supplied can now be made more cheaply abroad.

Our know-how is now common knowledge throughout the world. The availability to other countries of vast markets now permits production there on a mass scale that was once exclusively ours.

In consequence of this and our wage scale, which is higher than that of any other country, we are pricing ourselves out of the world

market. I think we must accept this and treat as a fact that our exports will be increasingly restricted to those items which, for one reason or another, we can supply more cheaply or by virtue of exclusiveness. And this might be a limited trade indeed.

This, in my opinion, betrays the fallacy of the contention that we, by opening our markets without restriction to the free world, can balk Communist trade aggression.

Our markets are valuable to another country only if the exchange is valuable. And in the barter of international commerce, our trading position is weaker than it has ever been.

The elimination of all United States tariffs would only delay briefly the inevitable reckoning that United States exports are no longer a bargain. What country, may I ask, could be expected to pay a long price for goods out of friendship or for any other reason?

Gentlemen, in my opinion, these are the facts of this situation as opposed to the theories of certain economists and visionaries that have become so widely accepted.

In the face of these facts, I feel it would be worse than idle to continue to expect that trade agreements and inconsequential tariff reductions by the United States can preserve a commerce that no normal set of circumstances will sustain.

For this reason, should we not view as potentially dangerous the encouraging of foreign manufacturers to rely on the United States market that will not return to them the value of production on which continuing trade depends?

What I point out as a probability is an appalling thing to contemplate, as I hear the State Department describe our relations with other countries as being so sensitive that the United States must show no disposition toward the imposition of quotas or higher tariffs.

And I think none of us is unmindful of the reaction of our South American friends toward us as a result of the recent drop in commodity prices and demand for their products which came about through the play of forces over which we, and they, have no control.

My question is this: Is unrestricted trade with other countries a dependable instrument of foreign policy under today's circumstances?

This is not just our problem. It is mutual with every nation in our trading sphere. In my opinion, it is one to be dealt with in open frankness and in full view of the natural laws that control demand and supply.

I mean no offense when I advance this proposal as a commonsense appraisal of our foreign trade program. I feel the path we have been following has created needless and avoidable dislocations here and abroad. I cannot justify its further pursuit when it will, in my opinion, lead to greater hardship and adjustment here and within countries whose alliance with us is so important.

Gentlemen, if the unrestricted encouragement of trade between the United States and other nations ever was justified, I feel it has outlived its usefulness. In our general interest, I am convinced that a carefully regulated trade is now required.

I make no pretense of being an economist. My views represent the accumulation of impressions gained over the years as the problems of foreign trade have been forced upon my attention.

In all probability, the extent of my services to you will be the raising of the questions which I have posed in this testimony.

I think they are fair questions and I think they must be fairly answered before we commit ourselves for another 5 years, 3 years, or 2 years to a foreign trade program that, in my opinion, could very well defeat the uplifting political and economic objectives we wish to promote.

I am aware of the emotion that has attached to debate on this matter, and am fearful of it. Too much is at stake to allow anything but a statesmanlike consideration of facts and probabilities to determine the course we should set for ourselves in world trade.

Thank you very much, gentlemen.

Senator KERR (presiding). Thank you, Mr. Torbert.

Mr. TORBERT. May I add that as though to confirm some of the ideas that have been submitted here, I would like to read the first paragraph of a bulletin received yesterday morning in Syracuse, N. Y., from Associated Industries of New York State.

This is sent to manufacturers throughout the State and it reads:

> The officers of Associated Industries are seriously concerned over the ever-rising tide of imports of manufactured articles.
>
> Many of our members have reported that they have already suffered serious injury.

From another news item coming from the Chamber of Commerce of the United States and dated June 20, I read:

> Furthermore, private investment abroad totals about $35 billion, and 23 percent of our imports come from foreign branches of American companies.

That would indicate that the transfers of our jobs to foreign countries is making very substantial headway.

I would ask for the privilege of filing a short additional supplement to my statement which would review in greater detail the damage done to our industry, all of which has been submitted in hearings before the Ways and Means Committee and other bodies, and the Tariff Commission.

Senator KERR. I would be glad for you to do that.

(The information requested was subsequently supplied in an addendum at the end of Mr. Torbert's testimony.)

Senator KERR. I see on the first page of your statement here, "domestic production in 1957 had been reduced to 50 percent of the 1957 production."

Is that the present relationship of your production?

Mr. TORBERT. We have two branches, the earthenware branch and the fine china branch.

Senator KERR. Yes.

Mr. TORBERT. In the fine china branch of our industry, I have stated——

Senator KERR. Is that in this paper?

Mr. TORBERT. That is in here, yes, sir; I have stated that of all the china——

Senator BENNETT. It is in the same paragraph, Senator; it is marked "lightweight china."

Mr. TORBERT. Lightweight china. I have stated that all of the china bought in the United States last year over 90 percent of it was imported.

Senator KERR. What is the relationship of the total value of the production of china and earthenware?

Mr. TORBERT. The production in earthenware——

Senator KERR. What I am trying to get, Mr. Torbert, is the reduction figure that would be accurate as to the entire industry you speak for.

Mr. TORBERT. The report as to the china branch is the result of the figures compiled through our association and are in plants from which we get regular reports.

We find that they do not check exactly with the census reports, because the census reports include some plants which do not report to our association.

My point is this: The figures from which we do quote are constant from year to year or we receive regularly so that we are able to get the drift, and speaking of the trend, I have the production of this group of fine china tableware potteries to which I have referred for the years beginning with 1950.

Taking 1950 as 100 percent, and note the yearly drop: 100 percent in 1950; 1951, 96 percent.

Senator KERR. Is this just chinaware or both?

Mr. TORBERT. This is just chinaware, china only.

To go on, in 1952, 92 percent; in 1953, 80 percent; in 1954, 75 percent; 1955, 72 percent; 1956, 71 percent. And in 1957, 64 percent.

This was a drop in our domestic production every year and it is a total of 36 percent from 1950 to 1957.

Now as to the earthenware branch——

Senator KERR. Well, your figures are that that is off 50 percent, that is your statement?

Mr. TORBERT. Yes.

Senator BENNETT. Now we are confused here a little because I think Mr. Torbert has just been discussing the drop in domestic production.

There was some foreign importation at the beginning.

Senator KERR. At the beginning?

Senator BENNETT. Yes.

Senator KERR. I would just like one simple figure if he would give it to me.

Mr. TORBERT. Which is that?

Senator KERR. What percent of the combined sales of earthenware and china in this country are produced abroad?

Mr. TORBERT. The figures are not combined in any records we have, and I might add that the earthenware industry has always been represented in these hearings by Mr. Wells, of the earthenware industry, but since only one witness was desired for each——

Senator KERR. Would you do this for me: Would you just get me the total volume of the two and add it together and say "of this total volume, 50 percent, 60 percent, 80 percent is foreign produced," and just put that in the record?

Mr. TORBERT. We will put that in our supplemental statement; yes, sir.

Senator KERR. Fine.

Senator BENNETT. If I might ask for one more, could you do that for the year 1947 and 1957, because you have used both years in your statement.

Mr. TORBERT. Yes, sir.

(The information requested was subsequently supplied in an addendum at the end of Mr. Torbert's testimony.)

Senator BENNETT. So we could see what change in the total has occurred in 10 years.

Mr. TORBERT. All right.

Senator KERR. Thank you very much, Mr. Torbert.

I appreciate your statement.

Mr. TORBERT. Yes, sir. Thank you.

Senator KERR. Any questions?

Senator BENNETT. I would just like to make the comment, Mr. Chairman, that I had the privilege of reading this statement last night, and I think it is one of the most important that has been made thus far in these hearings, because it gathers together in a very statesmanlike manner a lot of problems that have been presented to us piecemeal, and should give us a basis for serious study of the future, and maybe a more fundamental change that we may need to consider rather than to continue to patch up the policy that was set in motion 25 years ago.

I am very happy with this statement, and it has set my mind running down a lot of alleys.

Mr. TORBERT. I appreciate your comment, sir.

Senator KERR. Well, mine, like the Senator from Utah, is presently running—I am not going to say down a lot of alleys, but along some very definite lines. I would say the statement that I have just heard, the part of it I heard, accelerated rather than set it.

Senator BENNETT. I think that is probably accurate in my case but it certainly has accelerated it.

Senator KERR. Thank you, Mr. Torbert.

(The material referred to follows:)

[Addendum to brief of E. L. Torbert presented to Senate Committee on Finance, July 1, 1958]

PRICE AND VOLUME TRENDS RELATING TO COMPETITION IN THE UNITED STATES MARKET FOR HOUSEHOLD TABLEWARE (CERAMIC) BETWEEN FOREIGN AND DOMESTIC PRODUCERS

In response to the committee's request for data indicating, for recent years, changes in the size of our market and the extent to which it has been supplied by domestic and foreign producers in the same period, we submit the accompanying table of information.

In complying with this request, as best we can, we face the familiar problem of being unable to measure the United States household tableware market, as it also includes and may have included plastic and glass wares. Within our knowledge, no statistics have ever been collected that include all food-serving utensils for home use.

In the absence of comprehensive data, we are obliged to interpret available information in the light of long experience in producing and marketing our product.

With respect to the 8-year period embraced by the submitted statistics:

The United States household tableware market probably increased in keeping with population growth and the rise in real income in this country. Much of the added demand was apparently satisfied with plastics and glassware—domestically produced and imported.

Some increase in the sales of ceramic tableware for household use is to be noted. The quantity of ceramics in use, however, is thought to be greater than the sales increase indicates, as a more widespread use of dishwashers and improved detergents is prolonging the life of this ware.

The data on ceramics submitted herewith are deficient in two respects. (1) The statistics on lower quality earthenware and lightweight china produced

in this country are not available to us for the years compared and (2) Government import statistics (which do not include heavy quantities of high- and medium-quality ceramics entering the United States duty free) are not continuously analyzed for quality and composition.

However, we are discussing the position of manufacturers of quality ceramic ware in this country, and the decline in production volume here is clearly read. Excluded are plastics and glass—whatever market inroads these two materials may have made.

Within the ceramic field, it is obvious that American manufacturers have not been able to hold their own market against foreign producers.

After making due allowance for quality and composition of imports, the average prices shown for the several countries listed betray the insuperable disadvantage that the equally efficient American manufacturers suffer by reason of their higher wage levels and, therefore, higher labor costs.

The efficiency gap has closed between these competing countries, but the wage levels (22 cents in Japan, 43 cents in Italy, 55 cents in West Germany, 61 cents in the United Kingdom, and $2.08 in the United States) remain—as they have for decades—vastly disparate.

In this 8-year period, foreign ware has been produced at stable and even declining prices. Domestic producers, however, with lower volume and heavier promotion expense induced by these imports plus greatly increased wage costs, have been caught in a price-quality-cost predicament that further aggravates their competitive disadvantage.

Japanese imports in particular—regardless of quality and composition—are priced so low that products of like quality from other sources simply cannot compete. As a result, the Japanese exported 6,147,000 dozen of earthenware and 6,820,000 dozen of chinaware to this country in 1956.

Though it must be obvious that imports of this nature and volume represent displacement and also forestall the development of domestic manufacturing competition, our escape-clause and section 336 applications for relief have been denied, and United States tariffs and other protections have been reduced repeatedly over this period of years.

We consider this to be evidence, per se, that the Trade Agreements Act, as administered, is not being used to protect a long-established industry in the manner intended at the time this legislation has been passed and subsequently amended.

Data on ceramic tableware for household use—Imports and domestic production for United States consumption analyzed (quantities in thousands of dozens)

(a)	1948 (b)	1962 (c)	As a percent of 1948 (d)	1956 (e)	As a percent of 1948 (f)
Domestic production:					
Earthenware [1]	27,466	22,702	82.6	18,016	65.6
Fine chinaware [2]	1 833	777	90.5	558	60.5
Total	28,299	23,479	82.9	18,574	65.7
Imports:					
Earthenware [3]	1,616	3,399	210.3	7,535	466.3
Chinaware [3]	2,098	4,437	211.4	7,904	381.0
Total	3,714	7,836	211.0	15,439	418.1
Domestic plus imports	31,963	31,965	97.8	34,103	106.6
Imports as a percent of consumption analyzed:					
Earthenware	5.5	13.0	.....	29.5	.....
Chinaware	72.3	85.9	.....	93.5	.....
Total	11.6	28.1	.....	45.5	.....
Average factory prices per dozen, f. o. b. country of origin:					
Earthenware:					
Japan [4]	$0.94	$0.64	68.1	$0.74	78.7
United Kingdom [4]	43.42	43.21	99.9	43.16	92.4
Italy [4]	.....	41.84	.....	41.73	.....
United States [5]	43.16	43.80	119.9	42.65	118.1
Chinaware:					
Japan [4]	$1.83	$1.49	81.4	$1.42	77.6
United Kingdom [4]	38.48	37.33	96.4	36.96	81.7
West Germany [4]	43.93	43.33	136.1	34.76	121.1
United States [5]	1 $13.00	$19.99	141.8	$23.84	176.8

[1] Constant report by 21 members of United States Potters Association, who account for the production of most of the high-quality earthenware tableware made in the United States. In 1956, only 20 potteries reported—1 small operation having been liquidated. By July 1, 1958, 7 other of the original 21 potteries reporting had been liquidated.

[2] Constant report by six members of the American Fine China Guild, who account for the production of most of the high-quality, lightweight chinaware tableware made in the United States.

[3] Derived. Relationship of shipments and value of shipments by guild members to that reported for total industry in 1948 is assumed to be in some ratio as existed for 1950 plus 1951. Industry data drawn from Tariff Commission's escape-clause report dated February 6, 1953.

[4] As reported by U. S. Department of Commerce. Does not include substantial quantities and values of ware brought in duty free—primarily over Canadian border. Includes all qualities of production.

Source: R. C. Cobourn, Syracuse China Corp., July 1, 1958.

Senator KERR. Mr. Carl Gustkey?

STATEMENT OF CARL W. GUSTKEY, AMERICAN GLASSWARE ASSOCIATION, ACCOMPANIED BY R. L. DAVIS

Mr. GUSTKEY. Senator Kerr and members of the committee: My name is Carl W. Gustkey. I am president of the Imperial Glass Corp. in Bellaire, Ohio.

I am testifying before this committee today on behalf of my company and the manufacturing members of the American Glassware Association producing handmade, pressed, and blown table, stem, and ornamental glassware, and for cutters and decorators of glassware.

The manufacturing members we represent provide approximately 75 percent of the total dollar value of shipments produced by handmade glassware manufacturers in the United States.

Approximately 5,000 workers are dependent upon the companies in the industry for their bread and butter—many thousands more of their families depend upon their wages.

Reductions in tariffs on imported glassware competing with the domestic manufacturers have driven tariff duties down from as high as 60 percent in 1930 to a low of 15 percent under various extensions of the act.

Handmade plants producing illuminating scientific and laboratory glassware have suffered in like measure under the act. Reductions in tariffs range from 70 percent, under the Tariff Act of 1930, down to 25½ percent under the present extension of the act.

These manufacturers make such products as electronic tubes, fire warning lenses, lenses for shipboard running lights and many other engineered glass articles essential to the country in wartime.

In about the past 4 years 8 handmade glassware companies have either gone out of business or their operations have been severely restricted owing principally to import competition.

Within the past 2 months the famous A. H. Helsey Co., of Newark, Ohio, has gone out of business and the Gill Glass & Fixture Co., another handmade glassware plant in business for probably 50 years, ceased operations on June 29 and is being liquidated.

Altogether, within the past few years, 16 companies have been forced out of business and their workers put out of their jobs.

Any application of further reductions in tariff under the act as proposed, in our opinion, will drive the handmade glassware industry inexorably toward oblivion.

In this crucial situation of the industry we are left with no alternative but to oppose the provisions of an act, which, if effectuated, will place the industry in the gravest danger and result in widespread unemployment and hardship in our communities.

The glassworker, unlike workers in other industries, is unprepared to work in other industries in a similar skilled position.

In most (or a very high percentage of) instances his skills were developed through generations of glassworkers in his family.

To accentuate this bit of information I would like to offer the testimony that in my own company, 53 years old, the average age of our skilled workers is 54.

The industry recognizes the United States must honor its commitments and obligations but when our industry, let alone whole segments of industry, composing an important part of our national economy is seriously injured by import competition to the point of business cessation in the only markets left in which to sell its products and, coincidentally, with exports practically eliminated, we submit it is time to reverse such a trend, and we believe now is the time.

Senator KERR. I am not going to interrupt you at all.

Mr. GUSTKEY. Go right ahead, sir.

Senator KERR. But Mr. Weeks told us that exports were up.

Senator BENNETT. Exports were 19 billion last year.

Senator KERR. Nineteen billion dollars?

Mr. GUSTKEY. I touch further in detail on the exports of this group of hand manufacturers further along.

Our figures are quite contrary to that, Senator Kerr.

Senator KERR. All right.

Mr. GUSTKEY. Although we feel a number of changes could be made in the presently proposed act, there are two provisions considered

particularly objectionable which, with the greatest justification, we strongly feel should be rectified.

First, the 25 percent tariff cutting provision over the next 5 years is altogether too great a reduction.

Also, an extension of the act for 5 years is too long a time.

Secondly authority to regulate commerce and trade as provided by the Constitution of the United States, should be returned to Congress. Specifically, the President should not be delegated the authority to reject the recommendations of the Tariff Commission.

The Tariff Commission's recommendations, passed by a majority vote should be final except in a situation of proven danger to the country.

In support of these views we lay before you pertinent information on the condition of the industry. Attached to your copy of this statement is exhibit A giving a comparison of handmade blown glassware with significant economic trends.

The source of information is the Department of Commerce.

In recent years there has been a tremendous economic upswing in the United States as indicated by the fact that the gross national product increased in value from $285 billion in 1950 to $434 billion in 1957—an increase of 52 percent.

During the same period, shipments of handmade blown glassware went down every year from 2,419,000 dozen in 1950 to 1,804,000 dozen in 1957—a drop since 1950 of 25.4 percent.

Senator KERR. In order that I may understand, does that refer only to domestic production?

Mr. GUSTKEY. Yes, sir.

Senator KERR. In other words, during that same period shipments of domestic handmade blown glassware would be right?

Mr. GUSTKEY. Yes, sir.

Import figures from the Bureau of Census are not yet available for 1957. However, it will serve the purpose to use 1956 figures to show the adverse balance of trade in handmade glassware items.

In this year after deducting exports from domestic shipments, United States consumption of handmade glassware made by domestic producers totaled $30,095,000 as compared to imports of like glassware amounting to $7,529,000. Thus imports have increased to 25 percent of the total shipments for United States consumption.

Senator ANDERSON. What does it normally run—what did it run in 1950?

Mr. GUSTKEY. 1950?

Senator ANDERSON. You don't show what it normally is. This might be the normal figure.

Senator KERR. In other words, you show the domestic production in 1950 was 2,419,000 of them, but you do not show what the imports were in 1950, do you, or is that later?

Mr. GUSTKEY. Yes, sir; I do.

Senator ANDERSON. I did not see it.

Mr. GUSTKEY. Well, on exhibit A, when we get to that, sir, we will cover it if you desire to wait until then.

It is most difficult for the industry to recognize anything reciprocal about the present Reciprocal Trade Agreements Act when faced with the stark reality that in 1956 the value of domestic shipments totaled

$30,326,000 of which only eight-tenths of 1 percent, or $231,000 represented total exports of American-made handmade glassware.

The ruinous competition under the act from imported glassware continues to intensify and to disproportionately outstrip the consumption trend. It is anticipated that when the 1957 value of imported glassware is reported by Census the percentage of the domestic market taken over by foreign concerns will exceed 25 percent.

In addition to the lowering of tariffs, the low cost of production made possible by extremly low wages paid foreign glassworkers as compared to domestic glass wages, has caused a disrupting influence on home markets.

Approximately two-thirds of the total cost of making handmade glassware is in the wages paid workers. The following comparison includes fringe benefits of both American glassware workers' wages and the wages of foreign workers. In the latter instance fringe wage factors have been accepted for use from the United States Department of Labor.

In December of 1956 the average wage of American skilled and unskilled workers was $2.23 per hour. The most recent earnings per hour of foreign glassworkers and, in certain instances related industries, shows Japan pays male and female workers an average of 30 cents; France, in glass, ceramics and construction materials, 54 cents to 71 cents; West Germany, males in the glass industry only, 64 cents; Italy, in the glass industry only, males and females averaged 60 cents; Belgium, male workers in nonmetallic minerals including glass, 56 cents; Sweden in the glass industry only males averaged 92 cents; and in the United Kingdom, in glass, males received 83 cents an hour.

Costwise, these wages show a tremendous advantage over the average $2.23 per hour paid by the glassware industry in the Uniited States. Low-wage scales resulting in low-cost foreign glassware, also have been responsible, in the main, for the exclusion of the industry from foreign markets.

The wage scales in the United States do not permit the manufacturers to sell their products in competition with foreign glassware in other countries. Even in our own hemisphere American manufacturers cannot compete for a part of the South American markets.

Twelve years ago our own company, Senator Kerr and gentlemen, exported into 14 different countries. Today Canada only is open to us.

Thus, on a note of conclusion regarding the proposed 25 percent tariff cutting provision over the next 5 years, we submit that our industry not only can stand no tariff cuts of any nature in the future, we say, on the basis of all of these specific jusifications that the industry is already suffering under the extension of the present act.

Now we come to our second conviction that the Tariff Commission's recommendations should be final.

In 1952 the handmade glassware industry petitioned the Tariff Commission for relief under the escape-clause provision. The President rejected a 3–3 decision for the industry's relief.

Our testimony has demonstrated to you how imports are forcing the handmade industry to its knees in the only market left for its products—the home market in the United States.

Senator KERR. Just one minute.

That action in 1952 was rejected and I would presume on the basis of your testimony that actually if you could only reclaim what you had in 1952 you would then think the millenium had arrived, would you not?

Mr. GUSTKEY. Yes.

Senator ANDERSON. Are you able to say how many 3-3 decisions they have made down there?

Mr. GUSTKEY. I am going to try to summarize cases that came up.

Senator ANDERSON. There are more tie ball games in that league than I ever heard of. [Laughter.]

Mr. GUSTKEY. Through the only avenue open to secure the relief it so desperately needs, the industry within the next few weeks will again apply to the Tariff Commission for relief in order to save this 350-year-old industry from destruction at the hand of foreign competition.

Even with the situation as crucial as it is today, what chance has the industry of securing such relief under the laws of our land even if the Commission is unanimous in its opinion that such relief should be granted.

As of June 1, 1958, 30 cases have been sent to the President for approval or rejection. Of these 30 cases, 17, or 57 percent, received Presidential rejection.

Of the 17 cases, 6, or 35 percent of them, carried the unanimous decision of the Commissioners for relief, but were rejected.

Six other cases, for another 35 percent, carrying a majority opinion for relief were rejected and finally 5 other cases representing 30 percent of the total carried to the President's office, carried a split decision of 3-3 and also were rejected.

At many thousands of dollars in expense to both the industry as well as the Government, applications for relief are thoroughly investigated. Thousands of hours of time and effort are put into the analysis of investigation findings and into weighing all the elements for and against the problems of the particular industry.

In our opinion it it inconceivable that the President or his staff, within 90 days after receiving a unanimous or majority recommendation from the Commission for an industry's relief, can justify a rejection of the Commission's findings.

It takes the Commission 9 months of investigations, analysis, and hearings to arrive at their conclusions.

Dismissal of recommendations for relief on the basis of so-called overriding political and/or international considerations are in our opinion meaningless: American industry deserves specific reasons—good and sufficient reasons related to national emergency for any rejection of the Commission's majority and unanimous recommendations.

The proposed extension of the present act clearly indicates that the executive branch proposes to continue its tariff cutting. It is equally clear that industries like the glassware industry cannot, with any degree of certainty depend upon receiving relief under the escape clause although conclusive injury may be found by the Tariff Commission.

The present extension of the act has placed the industry in the conclusive position that this situation is totally unfair and objectionable.

The Constitution of the United States specifically states that authority over the trade and commerce of the country is under the authority of the Congress alone.

Therefore, we urgently recommend that this authority be restored to Congress where it rightfully belongs. When the Tariff Commission has investigated industries and found they have been injured or threatened with injury, the Commission's recommendation for relief should be final.

The industry is cognizant of the fact that in a period of international uncertainty it may be desirable to provide some means to the President to overrule the Tariff Commission in an emergency.

But, under the provisions of the proposed extension of the act the President can reject a unanimous recommendation in favor of an industry's relief, thus making it necessary for that industry to secure a two-thirds vote of the Congress to overrule the President.

This is patently impractical and a grossly unfair burden to place upon any industry. However, mindful of the country's welfare, we commend for your most serious consideration that the provision of the act be amended to require the President to proclaim the recommendations of the Tariff Commission unless in 30 days he tells Congress he wishes to take a different action and unless Congress, within a further 60 days, by law authorizes him to do so, the President should then be required to proclaim the Commission's recommendations.

In conclusion, Senator Kerr and gentlemen, any application of the excessive tariff cutting powers to foreign glassware products sold in the United States will certainly serve to compound the fractures that already have been imposed upon the domestic industry, with the result that even a greater percentage of the domestic market will be handed over to foreign interests—the very markets left to the industry upon which workmen and their families must depend for their livelihood.

It will be most gratifying to the industry if, by our testimony and our appeal to you, we may have brought forcefully to your attention that there are industries which can be, have been, and are being injured seriously by the Trade Agreements Act as it presently exists and as it is proposed for extension.

In fairness we point out that the industry is not averse to competition from imported glassware if the prices at which it is sold in our markets is based on comparable labor rates and the standard of living of glass workers in the United States. Nor are we against trade with foreign countries on the basis of fair reciprocity.

However, the facts which we have offered here compel us to appeal to you as our country's representatives to do everything possible to rectify the injustices inherent in the proposed Trade Agreements Act as proposed for extension.

Thank you.

(The table referred to is as follows:)

Comparison of handmade blown glassware with significant economic trends

[Prepared by American Glassware Association]

	1950	1951	1952	1953	1954	1955	1956	1957
Shipments handmade blown glassware; tumblers, goblets, and other stemware (1,000's dozen) [1]	2,419	2,191	2,074	1,954	1,782	1,966	2,000	1,904
Percent change from 1950	.....	−9.4	−14.3	−19.2	−26.3	−18.7	−17.3	−21.4
Imports of handmade blown tumblers, stem and other table, kitchen, and artware ($1,000's foreign value) [2]	2,779	4,170	4,222	4,627	4,934	5,600	6,777	(3)
Percent change from 1950	.....	+50.1	+51.9	+66.5	+77.5	+101.5	+143.9	.....
Gross national product (billions of dollars) [4]	285	328	345	363	361	392	418	434
Percent change from 1950	.....	+15.1	+21.1	+27.4	+26.7	+37.5	+46.6	+52.3
Population (millions) [5]	153	154	157	160	163	165	168	171
Percent change from 1950	.....	+1.3	+3.3	+4.9	+6.6	+8.6	+10.4	+12.5

[1] U. S. Department of Commerce, Bureau of Census, Industry Division.
[2] U. S. Department of Commerce, Bureau of Census, Foreign Trade Division.
[3] Not available as of June 10, 1958.
[4] U. S. Department of Commerce, Office of Business Economics.
[5] U. S. Department of Commerce, Bureau of Census.

Senator KERR. Thank you, Mr. Gustkey.

I still want to know what this exhibit A shows as to the relation—and since it is your product that may be you will help me to understand it, between domestic production and imports in 1947, say, and each subsequent year since then.

If you read it right, in 1951 domestic shipments were down 1/10 percent but I do not know, the next one shows the increase in imports; is that what it is?

Mr. GUSTKEY. That is right. It is up 50.1 percent.

Senator ANDERSON. Would it be fair to say between 1950 and 1956 the shipments of domestic handblown glass are down 17 percent?

Mr. GUSTKEY. 1954; did you stop there?

Senator BENNETT. Yes; he keeps going back to his original figures, Senator Kerr, so it is down 17 percent.

Senator ANDERSON. Down 17 percent; and the imports were up 143 percent.

Mr. GUSTKEY. That is correct.

Senator BENNETT. Unfortunately, the first set of figures are in dozens, the second set of figures in dollars, and the question you asked of the previous witness is still not answered by this witness; and maybe we could ask for it.

Senator KERR. Why didn't you make both tabulations in terms of dozens?

Mr. GUSTKEY. It is practically impossible to get dozen figures on the import product.

Senator BENNETT. Can you get dollar figures on the American product?

Mr. GUSTKEY. Yes, sir; we can.

Senator KERR. Well, that would not be accurate.

Senator BENNETT. No; it would not be——

Mr. GUSTKEY. The only accurate comparison we could hope to get would be the number of items.

Senator KERR. That is right.
Mr. GUSTKEY. That is right.
Senator KERR. You do not have any way—somebody is trying to raise his hand back there; do you know him?
You would not have any way to get us a figure that you would be able to assure us is reasonably accurate.
Mr. GUSTKEY. I know of no source.
You do, Mr. Benson.
We will make an attempt, Senator Kerr, if you would like for us to do so.
Senator KERR. Well, I would think your interests would be served if you could give us information that would be more illuminating.
Now, for instance, it is of considerable interest to know that imports are up 144 percent from 1950 to 1956.
You do not have the figures for 1957, I take it, but they are up further; and domestic production is down from 1950 to 1957 by 25 1/10 percent.
We know that the imports have supplied the rest of the market. Do you know whether the overall consumption is greater in 1957 than it was in 1950?
Mr. GUSTKEY. Yes, sir; it is greater.
Senator KERR. Would anybody have reliable estimates as to how much greater?
Mr. GUSTKEY. At this particular——
Senator KERR. There is a man just raising his hand. I can't tell——
Mr. DAVIS. We can give figures dollar for dollar.
I am R. L. Davis, American Glassware Association.
They approximate the same figures that you have here. On a dollar basis comparing imports to domestic shipments for consumption, imports have gone up every year. In 1954 imports were 20.9 percent of shipments for consumption, in 1955 they were 23.3 percent, and in 1956, 25.0 percent.
Senator KERR. Can you tell this committee the relation between the overall consumption in this country of both imports and exports of 1957 as related to 1950?
Mr. DAVIS. We cannot do that because the import figures at the present time are not available.
Senator KERR. I am talking about the total consumption.
Mr. DAVIS. The total consumption?
Senator KERR. The total quantity marketed.
Senator BENNETT. If you will ask for 1956——
Senator KERR. Forget imports.
Don't you have figures as to the total market consumption of this product, whether it comes from Yugoslavia or Ohio?
Mr. DAVIS. Well, we will have those figures but, Senator, when you get consumption figures, that means United States shipments plus the imports that are sold in the United States.
Senator KERR. I know that.
Mr. DAVIS. So you have to have the import figures in order to tell what the total consumption is.
Senator KERR. I would suppose you might be able to get it from reports of sales.

Mr. GUSTKEY. Senator Kerr, your final question of Mr. Davis—can the figures be furnished for 1956?

Senator KERR. Yes.

Mr. GUSTKEY. Of course they can and all prior years and the domestic production figures for 1957 can be furnished.

They are available.

Senator BENNETT. Let's leave 1957 out of the totals because you have not got the 1957 import figures yet, apparently.

Mr. GUSTKEY. Right.

Senator BENNETT. Get the latest figures you can which is 1956.

Mr. GUSTKEY. We can furnish 1956 domestic production——

Senator KERR. You have got 1956 domestic production right here. It is 2 million dozen, is it not?

Mr. GUSTKEY. Your question was, Was the consumption of handmade glassware, total consumption, in the United States in 1956 equal to 1955 or 1954?

Senator KERR. To what it was in 1950.

Senator ANDERSON. How do you know it if you don't know the total of domestic imports?

Mr. GUSTKEY. We were talking about the domestic figure.

Senator KERR. We are talking about total consumption.

Mr. GUSTKEY. We are talking about a figure we get based on glassware shipped in the United States. We will be very glad to furnish the figures.

Senator KERR. You have given us the domestic production; have you not?

Mr. GUSTKEY. That is right.

Senator KERR. If you know the total production, don't you reckon we would be able eventually to figure out what the imports were?

Mr. GUSTKEY. In the retail market?

Senator KERR. I learned to count up to eight before I left the second grade.

Mr. GUSTKEY. I am sorry if you believe I am incapable of understanding the language.

Senator KERR. I have been incapable of getting over to you what I want.

Mr. GUSTKEY. I understand what you want and we can furnish it.

Senator KERR. You see it is informative to learn that imports have gone up 143 percent from fifty to 1956.

But suppose the imports were a thousand dozen in 1950, that would mean there are 7,000 dozen in 1956, and that would not hurt anybody, but when you tell me domestic production has gone from 2,400,000 dozen in 1950 to 2 million, I cannot know from that whether the reduction has been because of excessive imports or because of a reduced demand.

Mr. GUSTKEY. Well, doesn't the increase in imports reflect that it might not be from a reduced demand?

Senator KERR. But you do not give me the increase in imports, except percentage; do you?

Mr. GUSTKEY. No; that is the only figure we can give you just as Mr. Henson explained.

Senator KERR. Let's take the import figure for 1950 as a thousand dozen.

Mr. GUSTKEY. Right.

Senator KERR. And I increase that 150 percent, that would only be 7,000 dozen; would it not?

Senator BENNETT. It would be much less than that, Senator. It would be only about 1,500 dozen.

Senator KERR. No; it would be 2,500 dozen, if the increase is 150. That would be 2,500 dozen.

Well, that would not account for a reduction of 419,000 dozen; would it?

All right, Mr. Davis.

Mr. DAVIS. Maybe I can clarify that in this way.

If what you are talking about is whether there is a favorable balance of trade——

Senator KERR. No, sir; not at all.

Senator ANDERSON. Not at all.

Mr. DAVIS. That percentage that I gave you——

Senator KERR. Forget the percentage.

Mr. DAVIS. I have got it here.

Senator KERR. I just want one simple figure.

While domestic production has gone off 419 dozen, is that correct, from 1950 to 1956——

Senator BENNETT. That is the figure given us.

Mr. DAVIS. Yes, sir.

Senator KERR. How much in terms of dozens have imports gone up?

Mr. GUSTKEY. That will take us time to prepare but we will do that because as Mr. Benson suggested we will have to initiate a study of import invoices.

Senator KERR. No, you will not. You won't at all.

You told me that you knew from retail distribution outlets what the total sales were.

Mr. GUSTKEY. Dollars.

Senator ANDERSON. Dollars.

Senator KERR. Can't a man who has been in this business 53 years relate that to numbers of items on a pretty reasonable basis?

If you can tell me how many dollars were spent in this country for gasoline it would not take me more than 5 minutes to tell you approximately how many gallons that was.

Mr. GUSTKEY. We can approximate it.

Senator KERR. I want to say that I am entirely sympathetic to your proposition. I am just as strong for what you are talking about here as you are. I am just as anxious to revise this Trade Agreements Act as you are to effectuate the objective you have in mind.

But you see when you get on the floor of this Senate over here there are 95 other members there and it is amazing their ability to ask you questions, and unless I can answer them better than you have answered me and I am not criticizing you at all—I am just telling you that you sit down without having made much progress, and all I am asking you to do is to arm us with information that will enable us to be effective in getting what you want done.

So I am not talking to you—I am talking to you in the most friendly way that I know how to talk. It may not sound that way but it is.

Any other questions?

Senator ANDERSON. Could we have Mr. Davis confirm something that I thought I heard him say? Did you not indicate that the volume of sales from domestic glassware were up 20 or 25 percent?

Mr. DAVIS. Not the sale of domestic glassware. The percentage of imports to United States consumption of glassware was up 25 percent in 1956.

In other words, imports had taken 25 percent of the total market.

Senator ANDERSON. How do you know that statistically?

Mr. DAVIS. We have figures. I am going to give Senator Kerr the figures on the whole thing.

Senator KERR. If that is the case, I can give you the figures now.

Mr. DAVIS. Well, that tells the story.

Senator KERR. If imports are 25 percent and if domestic production is a 1,804,000 dozen, 25 percent of the sum total of the 2 is 600,000 dozen.

Have you got a mathematician with you?

Isn't that right?

Mr. DAVIS. The 25 percent is on the basis of comparing import dollar values to United States consumption. Wages have gone up each year and are reflected in dollar sales. Where dollar sales are shown as going up from year to year, dozens of pieces are going down because of imports.

Senator KERR. Do you see what I mean?

Senator BENNETT. Mr. Chairman, while we are worrying about figures and trying to get a clear picture of this industry, I would like to raise a couple of other questions.

Senator KERR. All right.

Senator BENNETT. I think we would like to know, if you know, whether the total consumption of glassware——

Senator KERR. Of these products he is talking about?

Senator BENNETT. Goblets, tumblers, and other stemware is up and to what extent this total consumption includes (*a*), plastics that are now sold in the market in competition with these products, and I would like to be straightened out—you are referring here to handmade blown glassware; is there such a thing as machine-made glassware?

Mr. DAVIS. Yes; there is.

Senator KERR. Blown?

Senator BENNETT. So the market may be moving from handmade to machine made without being so greatly affected by imports.

I think we need a picture of the trends in the whole consumption of products of this type.

Mr. DAVIS. We expect to have those figures.

That was the point that was brought up at the time of the Tariff Commission hearing gack in 1952, and we are collecting figures at the present time from the machine-made people and we have them from the handmade people. We feel the figures are going to show, we do not have them as yet, but we have a feeling that they are going to show that the two markets are well defined at this time.

I think what you imply was true to some extent a number of years ago, when the Tariff Commission investigated the handmade industry, but today those markets have become defined, and those people who

ask for machine ware ask for them because they are in a certain category of purchasing power.

On the other hand, those who request handmade glassware are at an entirely different level of buying power, an entirely different level of buyers, consequently the two markets have become pretty well defined at this time. It is my opinion that the machine-made glassware is no longer making inroads into the handmade glassware industry.

On the other hand, I think that imports very definitely are and are doing so to the great detriment of the handmade industry.

The increase in the percentage of imports of the handmade glassware that you are talking about, Senator, correlate well with the decreases in domestic production for this market. For example, the present increase of imports to United States consumption in 1956, the latest available figure at this point, is 25 percent. The percent decline in 1957 in dozens is 25.4 percent.

Senator BENNETT. That is what we want.

Senator KERR. That is the information I want.

Mr. DAVIS. There is a very definite correlation between the two figures.

Senator BENNETT. The reason I bring it up, I am not conscious if I walked into a store. I would say I want a handmade glass rather than that I would want a machine-made glass. Maybe there are differences in quality that are obvious to our wives.

Senator KERR. Would the Senator yield?

If you or your wife is to walk in, it is not going to be you unless your family is different from mine. [Laughter.]

Senator BENNETT. Is this a machine-made glass?

Mr. DAVIS. Yes.

Senator BENNETT. The reason I bring this up, Mr. Chairman, I am in the flat-glass business or was before I came to the Senate and there was a time when all the flat glass in the United States was handmade and over a period of years that transferred to a point where it is now all machine made, and I am just wondering whether this same process is to any extent going on in this particular aspect of the industry so that there may be other forces than importation working.

Senator KERR. Well, Mr. Davis has made two statements which I believe are conflicting, but I am interested in both of them and I would like to have him or this witness or somebody else advise us definitely.

I understood you to say that the overall consumption in this country of this handmade glassware is greater now than it was 7 years ago.

Mr. DAVIS. No, sir, I am afraid you misunderstood my statement, Senator.

I think if you talk about consumption, I am not quite sure again——

Senator KERR. I am talking about how much of it is bought day by day in the market.

Mr. DAVIS. Well, those are the figures I would want to give you when you say United States consumption. I always think of consumption figures, including imports, and I am not quite sure that you are including imports.

Senator KERR. Yes, I am. How could it be the overall purchases without including imports?

Mr. DAVIS. That is correct. It must include imports.

Senator KERR. Another time you said that in your opinion imports had approximately replaced the decrease that has occurred in domestic production.

Mr. DAVIS. That is right, yes.

Senator KERR. If imports have just about replaced the decrease in domestic production, I would conclude that the overall amount sold in the market would have to be about the same, because the sum total of domestic production and imports represents the total amount marketed whether it is 1950 or 1956, does it not?

Mr. DAVIS. Yes; roughly that is probably correct, Senator. It is a matter of shift in the volume that is going to imports from the domestic industry.

Senator KERR. Then we are dealing with an industry that apparently has a reasonably steady outlet in spite of the fact that we have got 15 or 16 million more people now than we had then.

It would occur to me that maybe the overall amount marketed would have been increased, and if the overall amount had been increased and if domestic production is down 25 percent, then it would seem to me that the imports not only had replaced that much of the domestic productions market but also absorbed the increase, and what I would like to know is which of those situations is the one that exists?

Mr. DAVIS. The market itself, that is, domestic shipments plus imports in dollars, has gone up but imports year after year are getting an increasing percentage of the total available volume.

Senator KERR. Your production has gone down?

Mr. DAVIS. That it has, gone down for domestic shipments in dozens sold, as indicated in exhibit A.

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

Mr. DAVIS. Incidentally, Senator, may I say this, when Mr. Weeks told you that the domestic shipments had gone up, I am afraid he did not have the most recent figures from the Census. The Census has corrected their figures for the past 3 years showing that in dozens the domestic market has gone down.

Senator KERR. Yes.

Senator ANDERSON. You have got me badly confused now. You say that the increase in imports has just about replaced the decrease in domestic production.

Mr. DAVIS. Percentagewise—domestic production is down 25 percent in dozens in 1957 from 1950. Imports are up to 25 percent of total dollar consumption in 1956 on a dollar volume basis. This is an interpretation that provides the only, and we feel valid, conclusion in view of our not having imports in dozens for direct comparison to domestic shipments in dozens.

Senator ANDERSON. Now will you tell me what it is in numbers, or don't you know?

Mr. DAVIS. As I say, I will have to estimate to give you those figures in dozens.

Senator ANDERSON. You said the market has stabilized. I wrote it down anyhow; I thought you said the market in handmade blown glass had stabilized and had not gone up.

Is that about right?

Mr. DAVIS. That is my feeling at the present time.

I am going to have to check these figures out when I get back. I do not want to be on record as making a positive statement in this respect until I can support it fully. Estimates of imports in dozens will have to be made for addition to domestic shipments.

Senator ANDERSON. That is what I wanted to question you about.

If you do not know the numbers of foreign importation, you cannot possibly testify whether the market is up or down, can you.

I spend my time in a business and live on statistics when I get a chance.

Senator KERR. Accurate information.

Senator ANDERSON. If you do not know what the facts are in the way of figures, how can you testify what the trends are?

You do not know what the foreign importation by numbers is; do you?

Mr. DAVIS. Not by numbers. They are available.

Senator ANDERSON. No. And therefore even though you do know what the domestic numbers are, if you don't know what the foreign importations by numbers are, you do not know whether the market has stabilized or not; do you?

Mr. DAVIS. We have not, by numbers—well, yes, I would say——

Senator ANDERSON. How do you know if you don't know by numbers?

Mr. DAVIS. Well, by numbers, if you are going to talk about dozens——

Senator ANDERSON. That is what I want to talk about because that is what he talked about here, dozens.

He went from 2,419,000 dozen to 2 million dozen; that is in dozens, isn't it?

Mr. DAVIS. Yes.

Senator ANDERSON. Yes.

Mr. DAVIS. Are you comparing this to imports?

Senator ANDERSON. I asked that question a while ago, because you do not have the numbers on imports. If you do not have the numbers, how can you testify whether imports are going up or down, merely by dollars?

You might have a shift in grades. You might have any number of shifts that take place; you might have a shift in the toal dollar value.

Money has become a little easier in the way of not buying quite so much these last few years, and it might take more dollars to buy the same amount of imported goods.

Unless you do have numbers how can you testify what the market is doing?

Mr. DAVIS. We can find out——

Senator ANDERSON. If they are trading on the New York Stock Exchange and they do not know how many shares are traded, but figure it in dollars, you could be way off by trading in high-priced stocks one day or cheap prices the next day. They have to list how many shares in order to find out the trend of the market.

How can you do it otherwise? Dollars do not mean anything to you; it is dozens?

Mr. DAVIS. That is quite so, except, Senator, we are dealing with this proposition here on the overall figures for all blown handmade

glassware regardless of differences of dollar value of types that are blown.

Senator ANDERSON. Do you have the overall figures for all handmade glassware regardless of that?

Do you have the overall figures on consumption of handmade glassware?

Mr. DAVIS. Yes; we have the overall.

Senator ANDERSON. You have the overall?

All you have to do is subtract the domestic.

I don't believe you do have the overall from what you testified but if you do have the overall——

Mr. DAVIS. On handmade only now, Senator.

Senator ANDERSON. I know it, that is all I am interested in for the moment.

Do you have a total consumption in numbers of handmade blown glassware?

Mr. DAVIS. No; because numbers of imported ware are not available.

Senator ANDERSON. All right.

Now, then, it is very simple to find out the importations.

Senator KERR. What was it?

Senator ANDERSON. What were the figures for 1950 through 1956?

Mr. DAVIS. On importations——

Senator BENNETT. Consumption.

Senator ANDERSON. What you just got through saying you have, total numbers consumed of handmade blown glassware in the United States.

Mr. DAVIS. We only have the shipments here of the domestic industry by years and imports in dollars.

Senator ANDERSON. Well, isn't that just what I got through saying; you said you did have the total consumption.

Now isn't it a fact that you do not have the total consumption? Can we get that established, by number?

Mr. DAVIS. We do not have it by numbers because we——

Senator ANDERSON. That is right.

Mr. DAVIS (continuing). Because we do not have the dozens on imports.

Senator ANDERSON. Now if you do not have it by numbers, how do you know whether the market is going up or down?

Mr. DAVIS. Well, we can only tell whether it is going up or down with the figures that we have available to work with, and those are the total dollars of shipments plus the total dollars of imports. We do have dollars of imports and we can only make our comparison on that basis and make an interpretation of what the dozens of imports might be based on dollar value of imports.

Senator ANDERSON. Well, I think it would be——

Mr. DAVIS. I think it is indicative; I think it is clearly indicative.

Senator ANDERSON. I do, too. I think it would be very difficult to go back and trace each individual invoice. That is what I was trying to get you to say. In the absence of figures, you have to look at these dollars and conclude from them that the imports are staying at a certain level or increasing, and, as I understand it, your testimony to Senator Kerr was that, looking at those, you decided that the imports

had increased about sufficiently to match the dropoff in domestic production.

Mr. DAVIS. On the basis of dollars, interpreted roughly here in terms of what the imports would be in dozens compared to domestic shipments that have declined.

Senator ANDERSON. I do not want to compare oranges to apples. Can't you do it on numbers? Can't you translate it from dollars and say that it looks as if the numbers imported have about replaced the slump in domestic production in numbers, in dozens?

Mr. DAVIS. I think that we could just make an estimate of that, Senator.

Senator ANDERSON. Would you do so?

Mr. DAVIS. Yes. I would be glad to.

(The information is as follows:)

AMERICAN GLASSWARE ASSOCIATION,
New York, N. Y., July 3, 1958.

Senator ROBERT S. KERR,
Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR SENATOR: Mr. Gustkey and I greatly appreciated the interest your good self and Senators Anderson and Martin showed in the plight of the handmade glassware industry at the hearings July 1.

As requested, I had our office develop the kind of statistical information we feel sure you and the other interested members of the Finance Committee would like to have.

Attached is a table giving a comparison of shipments, exports and imports, on handmade pressed and blown tumblers, stemware, and other table, kitchen, and art ware from 1950 (as requested) through 1956. Information was given on this same basis of presentation before the House Ways and Means Committee for the years 1954, 1955, and 1956. (See pt. 1 of the hearings before Ways and Means Committee, p. 1470.) All figures in the enclosed tabulation are based on statistics from the Department of Commerce.

As established at the Finance Committee hearing, figures are not available on imports, in dozens, of blown glassware. A clear indication, however, of the increasingly desperate circumstances of the handmade industry is portrayed in the attached table on a dollar-volume basis.

Note that in 1950 adding $20,176,766 (domestic shipments less exports) plus $3,089,899 in imports shows a total market consumption of $32,266,165 in that year as compared to $37,623,763 total consumption in 1956—this in answer to your question posed at the hearing as to whether or not the total market had or had not increased in view of increases in population.

It is also important to note that, in every year since 1950, foreign interests have secured a disproportionate part of the total available market until, in 1956, foreign interests had invaded the market to the point of securing 25 percent of the total shipments for United States consumption.

When Secretary Weeks informed the committee that there had been an increase in volume of the domestic handmade-glassware industry, he was correct as far as the dollar volume was concerned. It went from $26,715,000 in 1955 to $30,094,000 in 1956. He failed, however, to tell the committee that the handmade industry's volume of $30,094,000 in 1956 is just about where the industry stood in 1952, when total shipments for consumption came to $29,800,000. Also, apparently, he did not point out that foreign handmade-glassware manufacturers, as indicated above, have taken an increasing percentage of the total available market away from the domestic industry until, in 1956, it reached 25 percent of shipments for consumption.

As indicated at the hearing, the industry is preparing an application for presentation to the Tariff Commission for the purpose of seeking relief under the escape clause. We have intended to bring this case on blown, handmade glassware, as was done at the time the 1952 case was instigated. However, there is definite indication that pressed ware has greatly increased in the country and our committee in charge of preparation of the proposed case now contemplates bringing a case both on blown and pressed handmade glassware. This brings

us to another important point which we feel sure will be of interest to you and the committee members. The handmade glassware industry has had increases in wages each year for the past several years, thus making it necessary to pass these increases on to the consumer in the form of price rises. This has brought about an anomalous situation. Handmade blown tumblers, as reported by census, shows the domestic industry shipped $1,811,000 worth of such products in 1955, $1,763,000 worth in 1956, and $1,706,000 worth in 1957. The corresponding dozens shipped show 550,000 dozen shipped in 1955, 685,000 dozen in 1956, an 527,000 dozen in 1957. In like manner, hand-blown goblets and other stemware increased in dollar volume from $8,212,000 in 1955 to $9,324,000 in 1956 and then to $9,455,000 in 1957. The corresponding dozens shipped were 1,407,000 in 1955 to 1,315,000 dozen in 1956 and then to 1,277,000 dozen in 1957. Thus, while forced to sell the industries' production at increasing prices as compared to the low-priced imported ware, there has been a decline in the dozens shipped. It would seem to go without saying that, if the industry does not have the pieces to make because it cannot compete with the low-cost, low-priced, imported handmade glassware, it is just a matter of time before companies will go out of business, and that is happening right now.

If, under the proposed extension of the act, the President is permitted to reject unanimous and majority opinions of the Tariff Commission, at the rate handmade-glassware companies are going out of business, it appears that, with any rejection of the case to be brought before the Commission, the doom of the industry would appear to be pretty well spelled out within a very few years. Also, as pointed out in Mr. Gustkey's testimony, any application of reductions in tariffs, as proposed, will speed the destruction of the industry at the hands of foreign interests.

I do hope that the above may be further enlightening. The whole handmade industry wishes the committee Godspeed in doing everything possible it can to help this distressed industry.

Very truly yours,

R. L. DAVIS, *Secretary.*

Comparison of shipments, exports and imports, of handmade pressed and blown tumblers, stemware, and other table, kitchen, and art ware

Year	Shipments, domestic (A)	Exports (B)	Shipments for United States consumption (A) minus (B)	Imports	Percent imports to shipments for United States consumption
1950	$30,810,000	$333,394	$30,176,766	$3,089,399	10.6
1951	31,890,000	490,043	31,180,937	4,632,820	14.9
1952	30,113,000	312,619	29,800,381	4,090,731	13.8
1953	30,333,000	321,151	30,013,849	5,141,084	17.1
1954	26,460,000	222,201	26,237,799	5,482,380	20.9
1955	28,939,000	223,904	28,715,096	6,220,645	23.3
1956	30,326,000	231,353	30,094,647	7,529,116	25.0

Senator ANDERSON. Again, I want to say I am just like Senator Kerr; I hope I am in your corner.

Mr. DAVIS. Well, I hope I have clarified that.

Senator ANDERSON. I only want to say to you——

Senator KERR. I want to say the best you have done is to agree to try to clarify it, and I am going to encourage you to really try.

Anything else, Senator?

Senator ANDERSON. No.

Senator KERR. Thank you, Mr. Gustkey.

Our next witness is Mr. Hubert M. Patterson.

Mr. STRACKBEIN. Mr. Chairman, I testified here the other day.

Senator KERR. I know. You made a very fine witness.

Mr. STRACKBEIN. The flint glassworkers had intended to testify——

Senator KERR. Are you talking about Mr. Patterson?

Mr. STRACKBEIN. Yes, but they have asked me to present their statement for them for the record, and I have done so in the inner office.

Senator KERR. All right.

(The statement appears at p. 1195.)

Mr. STRACKBEIN. Could I take advantage of this particular point of speaking to this question of dollars versus numbers?

Senator KERR. Sure.

Mr. STRACKBEIN. Many of our imports have no quantities, really, to them at all. You take small hardware and things of that kind; what is a dozen pieces of hardware when you have a lot of different sizes and different qualities and even different kinds of tools? So, in the glassware industry, there is also a great mixture in imports, so that to say so many dozens may cover quite a multitude of different sizes, different qualities, and different prices. So, the only real check that you have is on the dollar value of the imports.

Senator KERR. Will you wait right there?

Mr. STRACKBEIN. Yes.

Senator KERR. I am trying as best I could; I could not get the dollars out of either one of these witnesses.

Senator BENNETT. You mean the dollars of domestic production.

Senator KERR. No; of imports or domestic.

Senator BENNETT. The dollars of imports are on their statement. It is the dollars of domestic production.

Senator ANDERSON. Here is my problem.

We have an automobile dealer in my hometown who sells both Cadillacs and Chevrolets. I know that they can build a Cadillac up to over $8,000 now in our country, including all the air conditioning and other extras you have—as you know, if you have any Texas friends—and Chevrolets for $3,500. If he sells 100 of each, he would have a total volume of sales. If, the next year, he sells 200 Cadillacs and only 50 Chevrolets, hasn't he got a larger volume of sales than he had before, but the numbers are off?

Mr. STRACKBEIN. Yes.

Senator ANDERSON. That is all we tried to say. In order to understand the problem we have got to know something about numbers.

Mr. STRACKBEIN. Yes.

Senator ANDERSON. And if you can take the total value of imports and translate that back into numbers, into dozens, so we can match it with domestic production, we can begin to find out whether something has moved into the local market, domestic market, and replaced domestic production.

Mr. STRACKBEIN. Yes, sir.

Senator ANDERSON. In the absence of that, you cannot do a thing.

Mr. STRACKBEIN. Well, in the absence of that, you will have to fall back on the values——

Senator ANDERSON. You cannot fall back on the values.

They might start to import some very high-priced ware that does not mean a thing.

So, as Senator Bennett pointed out, there may be a change in this business. There was a time when I used to go out to a swimming pool and people would bring glassware out to serve you afternoon tea. But I have plastic ware out there now because I have grandchildren and I

do not want the glass to fall and cut their feet. That is a change, is it not?

Mr. STRACKBEIN. But, Senator, the point I am making is that in all the different classifications of our imports there are many, many classifications where quantities are not stated.

Senator KERR. That being true, let me ask you this, Mr. Strackbein. Let's say that is true; if I have been in a business for 50 years, and I know that the imports were a million dollars' worth——

Mr. STRACKBEIN. Yes.

Senator KERR. I believe I could have a pretty fair mental picture of the quantity; wouldn't you?

Mr. STRACKBEIN. I would think so, and I think they—probably the glass industry could supply it. I still question how meaningful it is, for the very reason you mentioned.

Senator KERR. Let's say it is not meaningful at all, sir, but here are a bunch of friends on the committee that want it.

Would you supply it to them or not?

Mr. STRACKBEIN. I would certainly do my dead-level best.

Senator KERR. I certainly would, too.

If I had a bunch of fellows trying to help me I would try to give them what they ask for, if I could.

Mr. STRACKBEIN. I am sure I would, too.

Senator MARTIN. Mr. Chairman, may I make a statement?

I appreciate fully the difficulty in getting the numbers because of the different types and different classes and different prices, but it does seem to me that you can give us, a man like yourself, with the access to the different organizations, both the manufacturers and the workers, that you could give us a pretty definite estimate of the number of pieces, I think you will be amazed at the number of the pieces—I want to say I am most appreciative of the attitude of the distinguished Senator from Oklahoma and the distinguished Senator from New Mexico, I do not know whether you folks have any glass industry down in your country or not.

Senator KERR. It just happens we do in Oklahoma and we have got a glass factory shut down.

Senator MARTIN. I was not sure whether you did or not.

But I from personal experience know what the importations have done in my hometown where we had a hand-blown factory in existence for 75 years put clear out of business by reason of importations, but it would be awfully hard to just give a definite number of pieces that this Duncan Miller Glass Co. would produce each year but I do believe you could give us a pretty good estimate on it which I believe will be very helpful when we are making up our conclusions.

Mr. STRACKBEIN. I am sure that the industry will do that, endeavor their best to give you their best judgment on the information that they can get.

Senator ANDERSON. Here is the difficulty: It may not be meaningful to anybody else, but we all have our own habits by which we work.

We have our own yardsticks by which we calculate these things.

Mr. STRACKBEIN. That is true.

Senator ANDERSON. I happen to have a little casualty-insurance company, and I know that not every time a man breaks his leg is the cost the same.

One time it is $80, the next time it is $600, and the next time it is $20. But we put them all in our statistical accounts by numbers even though they do not cost the same.

Mr. STRACKBEIN. But, Senator, the ideal statistic is where you have the quantity and the value and you have——

Senator ANDERSON. Yes; but in the absence of that, people who have been in the business a long time can make a much more intelligent guess as to what the numbers mean in dozens than those of us who are on the committee and just look at the dollars.

Mr. STRACKBEIN. That is quite so.

Senator ANDERSON. The last witness supplied us, and I have gotten them to supply this much, that domestic production was 2,410,000 dozen. It has gone down to as low as 1,782,000 dozen, and up again to about 2 million dozen. That is a significant drop in numbers.

Then he gives us dollars in the importation, and it does not mean a thing unless you relate that to numbers somehow, to know that they are taking your market.

Mr. STRACKBEIN. You are right; there should be a dollar value on these, on the American production.

Senator ANDERSON. Yes.

Mr. STRACKBEIN. Then at least you would have a dollar comparison.

Senator ANDERSON. Then we would have the same things to compare. That is right, and that is all I am trying to say.

Mr. STRACKBEIN. I am sure they will get that to you, sir.

Senator ANDERSON. Thank you. If they can do that it will be helpful to us. This is one industry that has been hurt and I think it is too bad it has been hurt and many of us would like to help them.

Senator BENNETT. Senator, may I make an observation.

Senator KERR. Yes.

Senator BENNETT. If foreign importations of hand-blown glass are really replacing domestic production, the price per thousand dozen must be somewhere related or there would be no replacement.

Senator KERR. The Senator is right.

(Off the record.)

Senator KERR. Thank you, Mr. Strackbein.

Mr. Stein?

STATEMENT OF MELVILLE STEIN, PRESIDENT, LEEDS & NORTHRUP CO., PRESENTED BY GEORGE E. BEGGS

Mr. BEGGS. Gentlemen, in Mr. Stein's absence due to illness he has asked me to speak for him.

My name is George E. Beggs. I am assistant to the president of the Leeds & Northrup Co.

Senator KERR. Then you are an assistant to Mr. Stein?

Mr. BEGGS. Yes, sir. Of 4901 Stenton Avenue, Philadelphia, Pa.

Mr. Stein greatly regrets he cannot be here but he has requested that I present his statement.

Senator KERR. Go right ahead.

Mr. STEIN. Our company manufactures scientific instruments for industrial-measurement and automatic-control applications and also for research, teaching, and testing applications.

Neither I nor our company desires to take any extreme position in the age-old argument of protective tariff versus free trade. Admittedly, this subject is in need of sound and unbiased study to bring about real clarification, but I know that this is not the purpose of the present hearings, which I understand to be limited to the single question of whether or not the so-called Reciprocal Trade Agreements Act should be continued or discontinued, and if so, for how long and with what amendments.

Neither I nor our company desires to take the position that our company has been hurt in recent years by the reductions in tariff under the so-called Reciprocal Trade Agreements Act, although I recognize fully that some important companies in our vital industry have been seriously hurt by such tariff reductions.

I do wish to take the position, however, that our company has been handicapped in carrying on its business in foreign countries through the restrictions that have been imposed by many foreign countries through import licenses and other restrictive measures quite apart from tariff rates.

Specifically, I wish to express as strongly as I can the feeling that the purpose of the Trade Agreements Act has been misrepresented to the public by its proponents.

By repeated emphasis on the reciprocal features of the act the public has been led to believe that in return for our Government reducing tariff restrictions on imports of foreign countries into the United States, producers in the United States producers to those countries.

Actually, it has not worked out that way and quite apart from tariff restrictions many foreign countries bar United States goods by the use of import licenses and other restrictive measures, apart from tariffs, so that our products are not allowed to enter notwithstanding that United States tariff concessions have been made to those countries.

In other words, the United States public has been badly deceived on the manner in which the reciprocal feature of the Trade Agreements Act actually works.

I know that this is not a new question and that it was discussed at some length in the hearings held in January and February 1955, before the Committee on Ways and Means of the House of Representatives in connection with H. R. 1 of the 84th Congress.

In those hearings Secretary of State John Foster Dulles presented a comparison of United States import restrictions with those of other countries, and this showed that most other countries require import licenses whereas the United States, in addition to its tariff restrictions, has only some quota restrictions limited to agricultural products.

With reference to such licensing and other nontariff restrictions, Secretary of State Dulles stated:

> These and similar practices, unless checked, could vitiate the tariff concessions by reducing the increase of American exports bargained for and expected as a result of securing decreases in foreign tariffs.

Also, Secretary Dulles stated:

"However, the General Agreement on Tariffs and Trade and the articles of agreement of the international monetary fund have committed member governments to use trade and exchange restrictions

only if they are in balance of payments difficulties or in other specific limited situations."

Apparently this general commitment, not to use such restrictions except in special cases, is ineffective, probably because it is always easy for foreign governments to take the position that they have a "dollar shortage."

I should like to make it clear that I am not adversely criticizing these other governments for imposing licensing restrictions. I think they have the right and duty to take steps that are in the best interests of their own counties provided these do not actually violate agreements with other countries.

It seems clear that the commitments under the General Agreement on Tariff and Trade are not adequate to protect the interests of the United States in its granting of tariff concessions.

I feel that the remedy is to make lower United States tariffs available to all countries when those other countries wish to apply for them and actually qualify by removing all restrictions which would otherwise vitiate the reciprocal effect of such concessions as are received from the United States.

This approach has another and very important feature that it leaves the decision up to the other countries as to whether or not they wish to take advantage of the United States concessions and avoids the unfriendliness that results from our attempting to apply retaliatory measures when any nonreciprocal restrictive treatment is applied to the United States.

Hon. Samuel C. Waugh, Assistant Secretary of State, in a letter of October 20, 1954, addressed to Hon. John D. Dingell, of the House of Representatives, stated as follows:

> The reciprocal trade agreements program which the United States has followed is based upon experience in attempting to obtain tariff reductions. This experience has proved that retaliatory measures to bring pressure upon a country for tariff concessions are more apt to lead to increasing restrictions upon trade than to tariff reductions and trade liberalization.

I heartily subscribe to this statement.

While on the subject of friendly relations with other countries, I believe that very much can be done by improving the procedures relating to admission of foreign-made products to our country.

After reasonable tariff and other control measures have been established to permit the entry of certain foreign made products, I feel that when these products arrive at our shores we should, in effect, "roll out the red carpet" just as we do when officials from those countries visit our shores, and we should avoid awkward procedures which introduce delays and unpleasantness in admitting the goods to our country.

The Congress and the Treasury Department are to be highly commended for their efforts in this direction through the sponsoring of legislation included in the Customs Simplification Act.

There is one specific provision in the proposed trade agreements extension bill, H. R. 12591, to which I should like to voice very strong objection, and that is the provision that when the President of the United States has vetoed a recommendation of the Tariff Commission, a two-thirds majority in both Houses of Congress is required to overrule such veto.

This provision seems to be at variance with the basic law of our land giving the Congress control of foreign trade. As a practical matter, neither the Congress nor the President should be burdened with details of individual tariffs.

As a matter of practical fact, some appointed group must deal with the details and present proper recommendations regardless of whether the President or the Congress takes final action. The Tariff Commission is charged with such responsibility.

I am quite sympathetic with the idea that the President should be given the power to approve or veto the recommendations of the Tariff Commission in order to give the President a freer hand in working out relations with other governments, aimed at creating a more friendly and peaceful world.

But when the recommendations of the Tariff Commission are vetoed, then the final decision should go back to the basic authority on foreign-trade control; namely, the Congress, and this final provision should not be made unworkable by requiring a two-thirds majority in each House.

Only an ordinary majority should be required. The requirement of a two-thirds majority, in effect, would really prevent Congress from having final authority in the matter.

I am keenly aware of the disturbance to our foreign relations that might be caused by not renewing the Trade Agreements Act. Accordingly, I am in favor of renewing it for 1 or 2 years, during which interval the whole matter should be given further study in order to eliminate the defects in the present proposal and still retain the real virtues of the act.

In the 1 or 2 year interval in which the act should be given further study, the public should be kept fully informed of the real meaning of the provisions of the act.

I have great confidence in the views of our citizens when they are fully informed; and I think it is contrary to the best interests of our country for the public to be misled or misinformed on important legislation.

In saying, this, I hasten to add that I am not one of those who believe that our Government must always operate in a goldfish bowl. I think that in security matters we must have confidence in those who have been elected or appointed to defend our country, and we should not ask them to carry on all of their operations in public.

With this single exception I believe that the public should be kept fully and correctly informed.

I greatly appreciate the opportunity to submit this statement.

Senator KERR. Thank you, sir.

Are there questions?

Senator MARTIN. Mr. Chairman, may I ask just one question?

Mr. BEGGS. Yes, Senator Martin.

Senator MARTIN. You make the statement there that you think it is contrary to the best interests of our country to be misled or misinformed. Who do you figure is misinforming or misleading the public?

Mr. BEGGS. I think Mr. Stein's intent, sir, in that statement was that in stating that the act is a reciprocal act, many of of the public do not realize that there are quota and import license restrictions applied by foreign countries which vitiate the reciprocal part of the actual customs percentages involved.

And he feels that this situation should be more widely publicized.

Senator MARTIN. All right. Thank you.

Senator KERR. I want to say I agree with Mr. Stein in that regard. The act is presented by its proponents and even I who have been opposed to much of what we have done for several years talk about the reciprocal trade agreements and I think it is a misnomer.

I think that is the gist of what he was trying to say.

Mr. BEGGS. That is the gist of his statement; yes, sir.

Senator KERR. I do not think there is anything reciprocal about it.

All right, sir.

Mr. Hansen?

All right, Mr. Hansen.

STATEMENT OF RICHARD F. HANSEN ON BEHALF OF THE MANUFACTURING CHEMISTS ASSOCIATION, INC.

Mr. HANSEN. Mr. Chairman, my name is Richard F. Hansen. I am chairman of the international trade and tariff committee of the Manufacturing Chemists Association, whose 169 members produced more than 90 percent of the chemicals produced in the United States.

I appear at the direction of the association's board of directors to express its views on H. R. 12591.

The record will show that when I testified before your committee on March 8, 1955, I asserted three objections to H. R. 1, the proposed Trade Agreements Extension Act of 1955, namely:

(1) That it did not require that the powers it would grant must be exercised on a moderate, gradual, selective, and reciprocal basis;

(2) That it was drawn to authorize wide discretionary powers and was almost devoid of any standards to govern the action which might be taken under it; and

(3) That both the actions and attitudes of the administrators of the Trade Agreements Act raised doubts that the powers granted would be exercised moderately, gradually, selectively or reciprocally, unless the law so required.

Senator KERR. Let me get your identity a little better now.

Does this mean that companies like Monsanto and Dow are all of this group that you are talking about?

Mr. HANSEN. They are all members, yes, sir.

Senator KERR. All right.

Mr. HANSEN. Although this committee made a number of valuable amendments to H. R. 1 which were later enacted, we now feel obliged to raise the same objections to H. R. 12591 because it has the same basic shortcomings.

As a matter of fact, the objections appear even more valid now because of our experience over the past 3 years and because the administration seems to have abandoned the thesis that the powers sought will be exercised on a moderate, gradual, and selective basis, although it continues to emphasize the elusive goal of reciprocity.

PRIOR DUTY REDUCTIONS

To bring the provisions of the bill into focus, it is necessary to consider the sweeping reductions in duty rates which have already been effected under the trade agreements program.

Approximately 88 percent of all dutiable imports have had their rates reduced, many to the full 78¾ percent limit authorized.

Senator KERR. Let me get myself more oriented on that right there; 78¾ percent, you mentioned?

Mr. HANSEN. Yes, sir.

Senator KERR. Is the amount which Congress has authorized?

Mr. HANSEN. That is correct.

Senator KERR. That rates in existence in 1930, let's say——

Mr. HANSEN. In 1934.

Senator KERR (continuing). Have been reduced?

Mr. HANSEN. Yes, sir. That is right.

Senator KERR. In other words, you are telling us that 88 percent of all dutiable imports have had their rates reduced but you do not say how many of them have been reduced 78¾ percent.

Here is what I would like to know. I would like to know, if you know, how much, percentagewise, as applied to the total tariff structure of 1934, has been reduced.

Mr. HANSEN. I think we can calculate that figure.

Senator KERR. Fine.

Mr. HANSEN. I do not have it.

Senator KERR. Do I make myself clear?

Mr. HANSEN. Yes, sir, I understand entirely.

Senator KERR. In other words, I am under the impression actually that the overall reduction had been greater than these figures would indicate.

I had thought that the overall tariff structure had been reduced approximately pretty well to the 78¾ percent of the base that was in effect when this program started.

Mr. HANSEN. I think that is true and I think we can develop the figures that will prove it.

Senator KERR. Fine. I think it would be very helpful to me.

Mr. HANSEN. Yes, sir.

Prior to the last 15 percent reduction, the Department of Commerce reported that the average effective rate for dutiable imports had been reduced from over 50 percent to approximately 12 percent.

Senator KERR. Well, that now, you see, would be——

Mr. HANSEN. About three-fourths.

Senator KERR. That would be a little over 75 percent.

Mr. HANSEN. That is right.

Senator KERR. All right, sir.

Mr. HANSEN (continuing). And the Commission on Foreign Economic Policy (Randall Commission) was able to state—

> * * * it seems clear by any test that can be devised that the United States is no longer among the higher tariff countries of the world.

But even these deliberately authorized reductions amounting to nearly 80 percent, tell only part of the story, as the actual incidence of customs duties has been fortuitously diminished by other forces.

Wholly apart from rate reductions, the impact of specific duties—which apply to over 70 percent of all dutiable imports—has, on average, been reduced 60 percent since 1933, and 40 percent since 1946, by inflation;[1] and the amount of ad valorem duties has been further

[1] The domestic wholesale price index for 1956 was over 2½ times that of 1933, and 1½ times that of 1946.

diminished by the elimination of foreign value as a primary valuation base.

Senator KERR. Are you in position to tell me whether or not the main structure of our tariff rates is in terms of ad valorem rates or in terms of cents per pound or per unit or import?

Mr. HANSEN. Well, over 50 percent are duty free.

Of the remaining 50——

Senator KERR. I am talking about the——

Mr. HANSEN. Of the remaining 50 percent, the approximately 50 percent that are dutiable, nearly three-quarters, over 70 percent are subject to specific duties.

Part of those will be compound rates, where they are subject both to specific and ad valorem duties; then the rest of the list would be ad valorem, and I do not know that there is any way to calculate precisely the percentage reduction on these. The National Industrial Conference Board is responsible for the calculation that over 70 percent are subject to specific duties, in a study they made just a few months ago for our industry.

Senator KERR. Well, of course, the reduction brought about by inflation is greater with reference to those subject to specific duties.

Mr. HANSEN. Yes, sir.

Senator KERR. Than with those subject to ad valorem duties.

Mr. HANSEN. Yes, correct.

Senator KERR. But the gist of your testimony is that nearly 80 percent of whatever import duties existed in 1934 have been eliminated by negotiation.

Mr. HANSEN. Correct.

Senator KERR. And with reference to the structure now remaining, its effectiveness has been further reduced by reason of the fact that approximately 70 percent of it is specific duty and thereby further reduced through inflation.

Mr. HANSEN. Yes, sir, that is true.

Senator KERR. Yes. All right. That is very helpful to me.

Mr. HANSEN. As a result of all the foregoing factors—reductions in rates, inflation, change in valuation base—our tariffs are now at the lowest level in United States history. That they are low and do not prevent the importation of foreign goods is shown by the fact that in 1956, dutiable imports exceeded duty-free imports for the first time since 1910, and in 1957 amounted to 53 percent of total imports, the highest since 1908.

Moreover, the effect upon the national economy of the last round of duty reductions—negotiated at Geneva in 1956 pursuant to the 1955 Trade Agreements Extension Act—cannot yet be evaluated as the final cut just goes into effect today.

Senator KERR. Will you tell the committee how much authority to cut further still exists under the existing law or has that now been exhausted?

Mr. HANSEN. Mr. Dulles gave some testimony on that subject before the House Ways and Means Committee and we have been unable to get any elaboration or clarification of it, and I am frank to say I cannot make sense out of it.

I don't know, there are conflicting figures.

Senator KERR. You encourage me when you say you cannot make sense out of it because I so often have found myself in that situation and now as one who is the expert that you are publicly and without shame admits that degree of ignorance I see no reason why I should further continue to hide mine.

Proceed.

Mr. HANSEN. The purpose of all the rate reductions was, of course, to bring about a reciprocal lowering of restrictions on United States exports to other countries. There is considerable reason to believe they have not done so.

Senator KERR. Let me stop you just one more time.

Mr. HANSEN. Yes, sir.

Senator KERR. The fact is that as of July 1, and that is today, additional reductions are going into effect which will augment or which will do further damage, accepting the assumption that those which have gone into effect heretofore have done damage.

Mr. HANSEN. That is correct.

Senator KERR. All right.

Mr. HANSEN. Certain statistics were given to the House Ways and Means Committee by the Secretary of Commerce purporting to show that, for the whole period of the trade-agreements program, concessions granted by the United States were matched, or more than matched, by concessions received from other countries.

The source or makeup of these statistics was not disclosed. Quite different were the results depicted by the State Department in 1956 in summarizing the Geneva negotiations just concluded.

Based on 1954 trade data, it reported that the United States granted concessions on imports into the United States aggregating $758 million and obtained concessions on its exports amounting to $398 million.

Senator KERR. Is that in terms of tariff revenue or——

Mr. HANSEN. Value of articles.

Senator KERR. Value of articles?

Mr. HANSEN. Value of articles.

Senator KERR. And in the absence of information as to the figure to be applied to that value, we would not know what the result was in terms of rate, would we?

Mr. HANSEN. That is true. There would be a wide variety of reductions on different things.

Senator KERR. Yes.

Mr. HANSEN. The concessions granted by the United States, it stated, "consisted almost entirely" of actual duty reductions, while concessions obtained by the United States consisted to an undisclosed degree of "bindings," i. e., agreements not to impose new dtuies or increase existing duties (Department of State Publication 6348, Commercial Policy Series 158, June 1956, pp. 5, 150–152).

A mere "binding" is a dubious equivalent of an actual reduction.

As a forecast of what might now be expected from future negotiations, we submit that the record of the last important negotiating session—in 1956—is far more illuminating than what is now claimed to be the result of negotiations held, for the most part, a number of years ago when nations with which these negotiations were conducted were the recipients of generous outlays of American aid.

LIMITATIONS OF FURTHER REDUCTIONS

It should be apparent that with each lowering of the effective level of duties it becomes increasingly necessary to limit the amount and pace of further reductions.

In 1955, the administration itself laid down the principle that to avoid untoward effects, further reductions should be gradual and moderate, which it defined as meaning not more than 5 percent per year for 3 years.

Clearly under present circumstances, an aggregate reduction of 25 percent, with as much as 10 percent to take effect in a single year, oversteps the bounds of gradualness or moderation.

Senator KERR. Even as they themselves had defined it?

Mr. HANSEN. Yes, sir. We have been unable to find any explanation as to why the 15 percent authorization requested and granted in 1955 has now supposedly become so inadequate in amount that it should be increased 66 percent, or why the 5 percent annual reduction should be increased 100 percent.

The argument that this degree of bargaining power is needed to meet the situation which will arise when the European Common Market fixes the amount of its common external tariffs in 1962 would seem to relate to the time of exercise, not the amount of the President's authority.

Senator KERR. Has it occurred to you that the approach we are taking to this matter amounts to an invitation on our part to this European Common Market group, to start in with an announced very high tariff structure so that they would be in the position to give substantial reductions from the announced structure they were to have in return for further concessions from this country on the basis of what the reality is and thereby arrive at a situation where we would give away a lot more without our getting anything in return?

Mr. HANSEN. Yes, sir; just as we have in the past.

Senator KERR. Would not that seem to you to just be screaming to the high heavens, "All you have got to do over there, boys, is just to announce you are going to have a certain rate structure unrelated to reality but then you can come into the negotiations and give away a lot of that which you never had and did not expect to implement in return for which we reduced still further from the present realistic situation that does exist"?

Mr. HANSEN. In fairness to the European Common Market, I think it should be said that the rules are roughly laid out which will determine the amount of tariffs which they will have, because they are to end up with a common tariff which is the average of all of their present tariffs. So some will go up and some will go down.

But I think your point is very well taken, that to advertise for a period of 4 years that we have this much bait would result in them requesting a great deal from us, and I think that prior experience indicates that our negotiators would give up a lot of it.

Senator KERR. You would not expect those fellows over there to be satisfied with much less than we had, as you say, been advertising for 4 years that we had available for them?

Mr. HANSEN. That is correct.

Senator KERR. All right.

Mr. HANSEN. Whether the negotiations with the Common Market countries take place in 1959 or 1962 would seem to have no bearing on the amount of authority to be granted.

The Common Market problem in fact, would seem to militate against, rather than for, any present grant of authority to reduce tariffs by a substantial amount. Under the Common Market agreement the member nations will not begin to bring their respective external tariffs to a common level until the year 1962; and in that year only the first installment of the total necessary adjustment will take effect.

Not until 1962, at the earliest, will these nations be able to put into effect any concessions which could possibly constitute a quid pro quo for concessions by the United States.

A surprising but nonetheless undeniable result of the Common Market is that it should result in concessions by some member nations without the necessity of any further concessions to these nations on our part, because those nations which will be obliged under the Common Market agreement to raise their national tariffs to the average for the group are required under GATT to offer compensatory reductions to other GATT members.

Even the GATT would require no reciprocal concessions on our part. The Common Market would seem, therefore, to provide, if anything, a reason against rather than for further concessions by this country in the near future.

In any event, the Common Market affords no grounds whatever for reductions on the scale or in the time sequence provided for in the House bill. If Congress now grants the authority proposed, it is possible that this authority may be frittered away before the supposed need for it arises.

The drive for continued lowering of United States tariffs places its principal reliance on the oft-repeated theme that imports must be increased at any cost in order to maintain our export volume—the familiar argument of the dollar gap.

The Department of Commerce, however, emphatically negatives any notion that the world in general is handicapped in the purchase of our goods by any lack of dollars.

Just last week, the Office of Business Economics reported that in the first quarter of 1958 "foreign countries and international organizations as a whole" had an excess of dollar receipts over expenditures of approximately $550 million, much the greater part of which was invested in gold, the balance in dollar credits.

For the preceding quarter the excess approximated $114 million. These balances represented the net of a multitude of different items, such as exports, imports, private investment, Government shipments, et cetera, too detailed to enumerate here.

Foreign holdings of gold and dollars at the end of March 1958 were $200 million greater than in September 1956, the time of the Suez crisis.

The New York Times—clearly not a protectionist paper—reported these developments in its issue of June 24, 1958, under the headline "Dollar Gap Ended in 1958."

Some proponents of sweeping tariff reductions have pointed to the substantial excess of the United States chemical exports over chemi-

cal imports as demonstrating that the domestic chemical industry stands in no need of tariff protection. They have said that this country's ability to export considerably more chemicals than it imports proves a competitive superiority over other countries that renders tariff protection unnecessary.

The contention is based in part upon characterizing as chemicals the thousand of different commodities included in the statistical classification of "chemicals and related products" which embraces fertilizer materials such as dried blood, and phosphate rock, pharmaceutical preparations, herbs, leaves, roots, pigments, paints, varnishes, soap, toilet preparations, turpentine, gums, and other naval stores.

It also disregards the state of development of the industry or the economy of the countries to which exports go and from which imports come, et cetera.

Such an argument obviously does violence to the principle of selectivity, which has been recognized by the administration itself as fundamental to sound tariff policy.

A few well-known facts cast grave doubts upon the basic hypothesis that our ability to export some chemicals demonstrates a competitive cost advantage over foreign industry with respect to all chemicals.

As demonstrated in appendix A attached to this statement, our laws create floors under domestic costs, and otherwise discriminate against domestic industry by permitting access to the American market of foreign-made goods produced under conditions we do not tolerate.

The committee members may also be aware that the chemical industries in several foreign countries have been expanding at a rate which substantially exceeds our own.

In West Germany, Japan, England, and Italy, for example, this expansion has been planned to provide a substantial export surplus. The three largest German chemical companies currently export 30 percent or more of their output, a ratio many times that of the major American chemical companies.

American chemical companies have, themselves, been locating substantial plants in foreign countries, in order to supply foreign markets from foreign production, for the perfectly obvious reason that foreign plants had demonstrable advantages over American plants in supplying foreign markets.

The danger is that such plants will also become important suppliers for the American market, if our tariffs are materially lowered, thus adding to the growing volume of chemical imports, particularly of coal-tar products.

In any event, they will certainly reduce the present American excess of exports over imports, absolutely or relatively.

Senator MARTIN. Mr. Chairman, might I ask a question there?

The CHAIRMAN. Senator Martin.

Senator MARTIN. Have any plants been established in Russia by the Soviet Government?

Mr. HANSEN. We have very little information. We may have more next week because a team of American chemists, 5 or 6, just returned on the weekend, from a tour of the plastics industries in Russia, and I think we will have a good picture of what they are doing.

We do know that behind the Iron Curtain there has been a very substantial expansion of the chemical industry, for example, in Poland and in East Germany.

Senator MARTIN. Mr. Chairman, the reason I am asking that is of course communistic-produced things are entirely a greater advantage so far as price is concerned over the private enterprise countries and it is forced labor and so forth.

I was just wondering whether the Communist countries had entered into the chemical line as they had in glass and pottery and some steel industry, and so forth, that is the reason I am asking the question, Mr. Chairman.

Mr. HANSEN. There have been some magazine articles indicating some very substantial expansion. I was trying to be more specific. I would be delighted to submit what information is available, for the record.

Senator MARTIN. Mr. Chairman, I wish the witness would, because I think it is important in that we are fighting an economic war and we might as well have the facts. As a military man I would like to have all the information I can relative to the enemy.

Mr. HANSEN. I would be very happy to provide whatever information is available.

(The information requested will be supplied for the committee files as soon as compiled.)

Mr. HANSEN. The European Common Market, so prominently featured by the administration as grounds for its tariff policy, is also expected to cause a substantial decline in United States chemical exports.

Chemical and Engineering News of June 16, 1958, points out that, although chemical consumption within the area will materially increase, United States chemical exports thereto are more likely to decline than increase.

More efficient production within the area made possible by the larger available market will also offset any present advantages of the United States chemical producer.

The strengthened position of the Common Market producer will also enable him to compete more effectively with the United States producer in other world markets, resulting in a still further decline in United States exports.

Having in mind that the Common Market poses a new problem which will require consideration several years hence, this association urged, before the Ways and Means Committee, that the President now be granted not more than 2 years within which to exercise the unused portion of the authorization granted in 1955.

If this no longer appears to be attainable in view of the House vote in favor of H. R. 12591, we now urge, as a preferable alternative to the House bill, the same authorization as was granted in 1955—to negotiate reductions not exceeding 15 percent in the aggregate, to become effective in annual installments of not to exceed 5 percent each.

Such a program would have, among other advantages, the highly practical one that such bargaining power as still remains in our tariff schedules would not be exhausted by the time of convening of the first session of Congress under the next administration.

A 3-year extension would also conform to the policy consistently followed in respect to all of the 10 prior extensions granted by Congress—each of which was for a period of 3 years or less.

We also wish to record our specific opposition to the provisions of the House bill, which would: (1) double the permissible annual reduction from the 5 percent authorized in the 1955 extension to 10 percent; and (2) permit arbitrary, alternative reductions aggregating up to 2 percentage points (ad valorem or ad valorem equivalent), with up to 1 point becoming effective in a single year.

A reduction on the scale of the first type is neither gradual nor moderate.

The second type of reduction would, of course, amount to more than 25 percent where the existing rate (or equivalent) is less than 8 percent.

In some instances such a reduction might be of drastic proportions. If the reason for such a proposal is to avoid the inconvenience of small fractional adjustments, a more reasonable measure would be one permitting a rounding off of fractions, like that provided in the 1955 Extension Act.

In addition, we recommend that any further grant of authority to reduce duties be subject to the express condition that it apply only to products which are described specifically rather than by class or category, in the notices and other documents pertaining to the negotiations.

When the Trade Agreements Act was being considered in 1955, we urged that specific provision be made for tariff determination only on a selective and product-by-product basis.

This was in keeping with the President's statement that—

> * * * the program would be selective in application, for across-the-board revisions of tariff rates would poorly serve our Nation's interests.

This principle of selectivity has not been fully observed, at least as to chemicals, in actual negotiations.

The public notice given in connection with the peril-point proceedings preparatory to the 1956 Geneva negotiations employed nine basket-clause designations to describe the products considered for negotiation. These descriptions were so broad as not to give a domestic producer adequate notice as to which of his products might be put on the auction block. By the time domestic producers ascertained that these basket-clause descriptions covered some 600 organic chemicals commercially produced in the United States, it was too late for them to take appropriate action.

It took us weeks to ascertain what their context was before we could start compiling data on our production, cost of production, the relationship to the rate of duty, and the amount of imports, and there is a fabulous amount of work required to make a presentation to either the Tariff Commission or to the Committee for Reciprocity Information. The time that was permitted for that was nearly exhausted before we had any real conception of what the products were.

Senator KERR. In other words, you bought a license to fish and while you were getting the bait, and the tackle ready, the open season expired?

Mr. HANSEN. That is well put.

ESCAPE CLAUSE

Congress has left no room to doubt its firm intention that the escape clause shall be a safeguard against serious injury to domestic industry. In several enactments in recent years Congress has meticulously tried to improve the administration of this provision by clarifying the standards to which the Tariff Commission must conform.

What has been left substantially untouched, however, is the unlimited power of the President to reject or change Tariff Commission recommendations for relief.

The House bill, in proposing several changes relative to the escape clause, clearly recognizes the urgent necessity for further improvement in this provision. One commendable change proposed in the House bill is the shortening of the period for Commission investigations to 6 months. However, it is most unrealistic to look upon the other changes by it as really meaningful.

The central problem—of placing some restraint upon the President's now unlimited right to adopt or disregard the Commission's recommendations for relief—is not solved in the House bill by the provision permitting reversal of the President's action by a two-thirds majority of both Houses.

Actually, this represents no significant change from the existing law. Today, an ordinary bill or resolution implementing a Commission recommendation could, if vetoed, be put into effect by a two-thirds majority of both Chambers. The substitution of 1 vote for 2 would not answer the basic problem.

In some instances in the past, Presidential nonacceptance of a Tariff Commission recommendation has been due to a different evaluation of the same factors which have already been evaluated by the Commission in accordance with specific principles prescribed by the Congress.

This is hardly consonant with the proper functioning of the escape clause.

Surely the President's economic advisers, upon whom he must obviously rely, are less well equipped to evaluate these factors than the Commission. In such a situation a two-thirds majority of Congress should not be required to give effect to what the Commission has already found to be necessary to accomplish what the Congress has said it wants to have accomplished.

A much more difficult situation is presented in instances where the President rejects a Commission recommendation for political reasons beyond the scope of the Commission's consideration. Since such action has the effect of superseding the criteria specified in the escape clause, however, it would appear appropriate, nevertheless, for Congress to have an opportunity to pass upon the reasons for such action before it takes effect.

But to require a two-thirds majority of each for Congress to express its disagreement with such action does not seem realistic.

Thank you very much for the opportunity to present these views on behalf of the industry.

(Appendix A is as follows:)

APPENDIX A. THE UNITED STATES DISCRIMINATES AGAINST DOMESTIC MANUFACTURERS IN FAVOR OF FOREIGN MANUFACTURERS

The United States is fortunate in having an abundant supply of a wide variety of raw materials, fertile agricultural lands, a large supply of electric energy, a moderate climate, free public education, an intelligent work force, a high standard of living, and a large market. In varying degree these characteristics tend to distinguish the United States from other industrial countries. So also do our antitrust laws, our minimum-wage laws, our high wage rates, our agricultural price supports, and what Prof. Edward N. Chamberlin describes as the "ominous power" of labor unions (The Economic Analysis of Labor Union Power, published by American Enterprise Association, Inc.).

While these factors have created floors under domestic costs, and imposed conditions of equality under which all domestic industry must compete, they have also made it more difficult for American producers to compete abroad, and have made the American market—the largest single market in the world—more attractive to foreign producers who are beyond the reach of United States laws. As a result, the United States discriminates against domestic manufacturers in favor of foreign manufacturers by permitting access to the American market of foreign-made goods which are produced under conditions we would not tolerate.

Basically, it is the purpose of our customs tariff laws to offset this discrimination.

The chemical industry is a creative industry and one which is proud of its accomplishments. The production of fertilizers and exposives from the air, of synthetic rubber from petroleum, and of delicate fabrics, dainty perfumes, and lifegiving medicinals from crude coal tar are real achievements. But the ability to fashion scientific miracles does not, necessarily, include the ability to circumvent economic obstacles, and a chemical company must do both in order to be successful.

The CHAIRMAN. Thank you, Mr. Hansen.

I want to express regret that I was unable to be present at the first part of your testimony. I shall read it.

Mr. HANSEN. I am very happy you were able to get here and I hope Mrs. Byrd is doing nicely.

The CHAIRMAN. Thank you.

Are there any questions?

Senator KERR. I have no questions, Mr. Chairman, but I just want to say this: I hope that every member of the committee, including the chairman, reads this statement very carefully.

I think if they do, they will be constrained to accept his statements here as being quite mild.

I want to say that your reaction to a provision in this law that would have required the Congress to pass a resolution by two-thirds of the votes in a manner greatly prescribed as compared to present rules of procedure of the Senate, in order for the Congress to put into effect a recommendation by an application which it has created seems to me to be without rhyme, reason, justification, or sense.

I think your reaction to it is quite mild.

Mine is much more positive and even approaching to the situation that could be described as violent.

Mr. HANSEN. Thank you very much.

The CHAIRMAN. Thank you.

The next witness is Mr. L. N. Beuthel.

STATEMENT OF L. N. BEUTHEL, CHEMSTONE CORP.

Mr. BEUTHEL. Senator Byrd and members of your committee, I am here in behalf of the limestone industry.

I have talked with the Drummond Dolomite Co., Russ Steamship Co., Boland Cornelius Steamship Co., Ogelby Norton Co., and many others and, with your permission, I would like to submit a statement which they have more or less approved or have approved.

My attention has been called to the fact that a Senate bill, now being considered by this committee, will enable the President to reduce the present duty on stone of 25 percent per net ton in 5 successive steps to 75 percent of that amount.

Your committee knows that this tariff was $1 per net ton in recent years and was reduced to 50 cents per ton and very recently to 25 cents primarily because very limited shipments from Canada were made. Now that the St. Lawrence seaway is about to be completed, boat movements of Canadian stone will be changed so drastically that waterborne stone will be brought into the ports on the Great Lakes at such a cheap price that the original duty of $1 per ton would not be out of line.

Bear in mind that an average price of limestone is around $1.15 per ton while average boat-transportation charges are around $1.50 per ton.

I believe I am qualified to testify as one familiar with the aggregate picture on the Great Lakes because for 15 years I managed a branch of the old Kelley Island Lime & Transport Co., which marketed a million tons of aggregate per year over our docks and customers' docks on the lake system. For the past 3 years I have been general sales manager of Chemstone Corp., which markets around 5 million tons of stone yearly on the Great Lakes in the area directly affected by this duty.

One thing, I believe, should be kept uppermost in mind at all times: the fact that there is a plentiful supply of limestone in this country and the raw material, as such, does not have to be conserved. As we look at the complete limstone picture, there is enough available stone in the United States to keep the price low and competitive, and the volume available is such that it does not have to be protected or stockpiled as a scarce raw material.

I have prepared a map of the area of the lakes directly affected by Canadian stone competition, together with a geological study of the numerous aggregate plants in the State of Ohio.

I will attempt to simplify my presentation by showing how a change of duty of nearly 7 cents per net ton will affect the city of Cleveland.

Please bear in mind that this same effect will be duplicated in all ports on the Great Lakes.

As mentioned previously, the pattern change of boat movements brought about by the St. Lawrence seaway will affect this city even more than the proposed duty reduction.

Larger Canadian boats will move into Lake Ontario because changes in the Welland Canal will permit larger cargoes.

Transhipment for overseas demands will mean heavy movements of coal and grain in an easterly direction.

Boats normally coming back light will now pick up bulk cargoes in Lake Ontario and move through to any port in a westerly direction on the chain of lakes for greatly reduced rates.

Two stone companies on the Canadian shore have come into the picture anticipating this boat movement (besides hoping for a tariff reduction).

One shown as (20) is at Picton, Ontario, and another at Port Colborne shown as (19). The Picton quarry was opened primarily for cement production and commerical stone is a byproduct material, and the Port Colborne company is being opened by a Canadian steamship company for back-haul purposes.

Now, to come back to the city of Cleveland stone situation.

Normally stone for road work is handled through dealers who have docks on the waterfront for reception of waterborne stone and plants located inland for reception of trucked, railed, or waterborne plus trucked stone.

These dealers either prepare this stone for delivery in ready-mix plants for road work structures or buildings, or batch it dry in trucks for easy handling in contractors' equipment.

Anticipating a large road program sponsored by the administration to give a spurt to the economy, these dealers would normally look for new cheap sources of aggregates.

As you may see by the aggregate map of the State of Ohio, there are many suitable sources to supply Cleveland. While all the nearby gravel and slag plants market in the Cleveland area by truck and rail, the two stone plants, Wagner & Sandusky Crushed Stone Co., at Sandusky, and the National Lime & Stone Co., of Findlay, ship most of the limestone into the Cleveland area by rail.

Waterborne stone for road work comes from the Inland Lime & Stone Co., the Michigan Limestone Co., with plants at Rogers City and Cedarville, and the Drummond Stone Co.

In the face of all this competition from land and water plants, men from the two Canadian plants have been actively soliciting business in the Cleveland area for the past year.

The Cleveland dealers know from previous experience that Canadian markets have been noted for dumping in the area when they have a surplus and pulling out when they have a good market elsewhere.

Considering the previous reputation of Canadian suppliers, dealers have given these representatives little encouragement. The net result is that a new dealer company is being formed to market Canadian stone.

Three stone companies supplying established Cleveland dealers by rail have recently succeeded in getting existing freight rates reduced from $1.71 to $1.51, July 1, in an effort to meet boat and Canadian competition. These freight rate decreases will be followed by decreased trucking rates.

Should this reduced rate prevent the stone companies from selling what they consider a normal supply of stone they will move south and west to invade the markets of other stone and gravel companies.

One indirect result of Canadian competition would be to raise the base price of metallurgical limestone and have a long distance effect on the price of steel. Michigan Limestone, Presque Isle, Drummond Stone Co., and Inland Lime & Stone Co. produce stone primarily for the steel industry.

While I am acting as an individual in this hearing, I normally represent a company that seriously considered a capital expenditure of $2 million to build a plant at Marblehead, Ohio, to serve Cleveland as well as other ports on the lakes with waterborne stone.

This plant was considered to be economically feasible and the expenditure wise at this time partially because of the United States Government's present roadbuilding program.

Cleveland dealers prior to the arrival of Canadian representatives considered committing themselves to the Chemstone Corp. to 5-year contracts which were not considered seriously when the Canadian competition appeared. While this was not the only consideration in turning down the expenditure for the plant, I will say it was not the least.

There is far from a shortage of aggregates or competition for price of aggregates in the Cleveland area for the recently enlarged public works program. Bodies politic which award construction contracts for roads and public works in the Cleveland area are getting real value received when stone is bought.

Canadian aggregates coming in by boats, some of which are nonunion that depend on backhauls and stone produced by cheap labor, in the last have been classed as "dumpers" as evidenced by the independent action taken by Cleveland dealers.

Dumpers have so far helped to cause a lowered freight rate foisted on the rail industry which seems far from healthy. Truckers following suit in lowering rates should feel less interested in buying new trucks. A $2 million stone plant at Marblehead would employ about 100 men steadily and in the building would take steel, rubber, motors, besides employing engineers and men during construction.

I have outlined in briefest detail two specific and concrete instances you can get your teeth into where the new Canadian competition has helped disturb this industry.

I could go on at great length to show possibilities of how this foreign invasion will snowball disturbances of competition throughout the land plants of the State. The three land based stone plants serving Cleveland by rail will find a market for their stone as Cleveland's demand is reduced.

This will be at the expense of other stone producers throughout the State. The four water-based stone plants will do likewise. Gravel and slag producers (acceptable aggregates replacing stone) will do the same. Bear in mind, Cleveland is only one city in the State of Ohio. Consider, if you will, the cumulative effect in the all-port cities of New York, Pennsylvania, Michigan, Indiana, and Wisconsin.

At the risk of being repetitive, the tariff on limestone should be placed back at the old rate of $1 a net ton instead of being reduced from the existing 25-cent to 18-cent rate because of the changed transportation situation.

An estimated 20 plants now supply a typical area like Cleveland with much more stone or aggregates than is required for an enlarged public works program at prices which are highly competitive.

The public is and will continue to get a real bargain in construction stone in Cleveland because of the large number of producers and the tonnage they produce.

Normally when a large highway or public works program is underway the money spent for this construction moves rapidly from a prime contractor to subcontractors, roadbuilding machinery manufacturers, truckers, railroads, boat companies, and materialmen.

Consider, if you will, the reverse of this happening in the city of Cleveland, being magnified by a decreased tariff in a small segment of the material industry.

First, the railroads have already made a rate reduction giving them less revenue. Immediately truckers will lower their rates to meet the rail competition, to be followed by boat rate reductions. Established dealers in Cleveland will tighten up on purchases of equipment because of a new dealer.

This new dealer will have a temporary advantage in price of his material and will buy equipment, but if, as we suppose, the foreign people are merely dumping, these equipment purchases could be a boomerang to the manufacturers.

Should my company see a more favorable sales climate, it is reasonable to suppose they will look with more favor on a plant construction program already described.

Cleveland is one American city of about 25 on the Great Lakes. I personally believe in foreign trade, but I sincerely feel the country's best interests are served in this very minute part of our economy by having protection.

I recognize, sir, that we are a very small part of the industry as a whole, but we would like to add our voice to those of many other people in the hopes that the legislative branch of the Government will not bargain away the rights to regulate the economy in favor of the State Department.

The CHAIRMAN. Thank you very much.

Mr. BEUTHEL. I want to thank you, sir.

(The document referred to is filed with the committee.)

The CHAIRMAN. The next witness is Mr. Isadore Paisner.

Mr. PAISNER. Thank you.

STATEMENT OF ISADORE PAISNER, PRESIDENT, MANUFACTURING JEWELERS AND SILVERSMITHS OF AMERICA

Mr. PAISNER. Mr. Chairman and members of the committee, I wish to thank you for the privilege of appearing before you today.

My name is Isadore Paisner. I appear today as president of the Manufacturing Jewelers & Silversmiths of America, Inc. I am also an officer of Brier Manufacturing Co., a manufacturer of syndicate store jewelry located in Providence, R. I.

The Manufacturing Jewelers & Silversmiths of America is a trade association representing substantially all of the low and medium-priced jewelry manufacturing industry countrywide and has for 55 years carried on a wide variety of trade association activities for the benefit of the industry.

Ours is a typical small business, consumer goods industry which has been hard hit by an ever growing flow of foreign imports produced by workers paid pitifully low wages. Just before the war, these imports totaled about $1½ million per year; immediately thereafter, this figure more than tripled the last year, the figure of im-

ports had grown to the staggering amount of $17 million or about 12 times the prewar rate.

This phenomenal growth matches in timing and proportion the resurgence of the Japanese and West German jewelry industry and coincides with the reductions made in United States jewelry tariffs, most of which are now at about half of the 1945 rates.

Approximately 80 percent of the total jewelry imports in 1957 originated from these 2 countries, that is Japan and West Germany, with the Japanese accounting for approximately 60 percent of the total.

Almost invariably, the competition provided by these imports is of one kind: price competition based entirely on low wages.

The imports are styled like ours; in fact, many are direct copies. The quality is substantially comparable. The price, however, landed and duty paid from Germany is 50 to 60 percent of the price of similar domestic products, and from Japan, from 30 to 50 percent of such prices.

It has been suggested that the answer of our problem lies in mechanization and increased efficiency of production.

I can assure you, gentlemen, that where it is at all possible to do so, the domestic jewelry industry has taken advantage of new technological developments and has increased its efficiency.

We are drastically limited, however, by the high styled nature of our product which effectively limits mechanization to a very small percentage of our production processes. The Randall report recognized the limitations of this type of industry, which it described as the handcraft type industry where machinery is a relatively minor element and where quite obviously, with labor the major cost, imports can be not merely serious but destructive to the domestic industry without a tariff.

Thus limited by the nature of our product, we are compelled to resort to a very large percentage of handwork, placing us in virtually direct competition with low foreign wage costs. It is not difficult to see the impossible position in which we find ourselves when our average rate of pay, approximately $1.69 per hour, is contrasted with German rates of approximately 45 cents per hour and Japanese rates an incredible 15 cents per hour.

Because of the seasonal demand for our products, the industry must frequently work on an overtime basis. The premiums provided by our laws then substantially increase the already large differential between wage rates. The fringe benefits paid to our American workers in the jewelry industry are unheard of in the countries with which we are competing.

We have been assured over the past 10 years that we need not fear the reciprocal trade agreements program since Congress had provided an escape clause which would save us from such destructive competition.

We have no doubt that Congress intended that the inclusion of the escape clause would protect and preserve the jobs of our thousands of employees and the economies of the communities, such as Providence, R. I., and Attleboro, Mass., where a good deal of this industry is concentrated.

We are certain that the Congress fully expected that administration of the program would carry out the spirit of the remarks made by the

Secretary of Commerce as late as February of this year before the House Ways and Means Committee when he said:

I want to stress equally 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.

Gentlemen, the safeguards for domestic industry which you enacted into law have been thoroughly emasculated in practice. You are aware of the escape-clause record.

Let me be specific about segments of our industry.

In 1954 we reported the following to the Tariff Commission:

The 1947 census reports that the domestic imitation pearl business was about $13,272,000—some 3,000 employees.

Japanese pearl imports at that time amounted to about $200,000, or landed, constituted about 2 percent of the total market of pearls. We estimate that * * * the Japanese are now sending in about $3.5 million worth of pearls, landed value, which constitutes over 60 percent of the domestic market * * * measured on a piece rather than a dollar basis, it would constitute over 85 percent of the domestic industry.

Employment is now less than 500 persons. At least a dozen plants are out of business.

Today, what I just read to you is from 1954—today even fewer are employed and these in specialty fields.

Pearl imports manufactured by 15-cents-an-hour Japanese labor have cost nearly 3,000 American jobs.

The 1954 census reports that the watch-bracelet business was about $31.7 million—some 7,000 employees. Imports constituted about 2 percent of the total watch-band market and about 6 percent of the lower price band market.

In 1957 domestic production dropped to $24 million and imports represented about 6 percent of the total market and 40 percent of the lower priced market.

Approximately 20 of the 40 lower priced band manufacturers are out of business. The remainder are suffering. Band imports cost 3,500 American jobs to 15-cent-an-hour Japanese workers in the past 4 years.

In 1953 domestic production of stainless steel and silver plated flatware was about 23 million dozen pieces; imports represented 8 percent of the domestic market; in 1956, 36 percent, in the first 4 months of 1957, 40 percent. By the third quarter of 1957 imports rose to 85 percent of the United States industry's sales. Another 2,000 American jobs lost to 15-cent-per-hour Japanese workers.

During this period representatives of my association, as well as individual product groups within the industry, have availed themselves of every opportunity to present their cause to the Government.

We presented our arguments before this committee and the committee on Ways and Means in 1955. We are no strangers to the peril-point hearings, the Tariff Commission and Committee for Reciprocity Information.

Several industry segments have petitioned for relief under the escape-clause proceedings. Others have watched these proceedings carefully and after seeing the results obtained and on the advice of our own Congressmen, determined that they were little more than a costly waste of time; we became convinced that there was really no serious thought on the part of Government that our free-trade goals should be modified; in spite of Secretary Weeks' statement.

Last January, for example, the Tariff Commission found unanimously that—

> As a result in part of the duties reflecting the concessions granted * * * table knives, forks and spoons of stainless steel * * * are being imported in the United States in such quantities, both actual and relative, as to cause serious injury to the domestic industry producing like products.

This, in accordance with the footnote is from the Tariff Commission report to the President on escape-clause investigation No. 61 on January 10, 1958.

President Eisenhower on March 7, 1958, reviewed the Tariff Commission's recommendations and denied the industry needed relief—a clear violation, we submit, of the intent of Congress in enacting the legislation.

We are not urging the abandonment of our reciprocal trade agreements program. We are urging that H. R. 12591 be passed with amendments, as a temporary stopgap measure, for a duration of no more than 2 years, which should give all parties an opportunity to consider a modern, up-to-date foreign trade program.

In the interim, we strongly recommend a revision of the proposed escape-clause procedure so that it will be administered the way we believe Congress intended.

It has now been proved that to accomplish this, final authority must revert back to the Congress. We propose that in event the President repudiates the recommendations of the Tariff Commission, those recommendations nevertheless become effective 60 days after the President reports to Congress the reasons for his repudiation, unless by an affirmative act of Congress, the President's decision is upheld.

The escape-clause provisions of H. R. 12591 offer no more remedy to industries suffering serious injury than does the old act.

To expect Congress to muster two-thirds of its forces to assist a small—and perhaps politically insignificant—industry is unrealistic.

We approve of other portions of the bill as an interim measure, including:

1. Permission to allow the President, to increase tariffs to 50 percent of the 1934 rather than the 1945 rate.

2. Reducing the time that the Tariff Commission may spend to complete an escape-clause case from 9 to 6 months.

3. The retention of industry and labor representatives to work as advisers during tariff agreement negotiations.

4. The inclusion of the requirement that the President report annually on what foreign countries are doing to end discrimination against American products.

So much for the proposed bill as a stopgap measure.

Our most urgent recommendation is for a thorough review and revision of our entire tariff program. Geared to conditions of the 1930's and 1940's, it is now obsolete and fails utterly to meet the challenges of the 1950's and 1960's.

We believe that the primary objectives of our foreign trade program, stated simply, are—

1. To raise the standard of living of our foreign friends to retard the spread of communism.

2. By permitting them to export, to put purchasing power in the hands of foreign workers so that they may become consumers of our exports.

3. To permit fair competition to exist between the nations of the free world.

Our present law has failed to accomplish these objectives. The additional patching by H. R. 12591 does not materially change the degree of its obsolescence or its lack of effectiveness. These are the failures that H. R. 12591 will perpetuate:

1. Although technology is increasing abroad and imports to this country are rising to the danger point for many industries, differentials between foreign and domestic wages continue to increase.

Foreign workers are not sharing in the fruits of increased trade, although it is they who will finally determine the ebb and flow of communism.

2. The export decline experienced by many of our industries is an additional indication of the failure of our present foreign-trade program to generate markets for many of our exports.

3. Although we have been consistent in cutting tariffs in the interests of freer trade, little progress has been made in eliminating the many barriers that other nations have set up against many of our products.

Intolerable competition without effective recourse still exists for the domestic manufacturer.

We advocate starting this reappraisal with the premise that blanket cuts in tariffs are not the answer.

We urge that future tariff reductions be linked to a decrease in differentials between foreign and domestic wages in those industries such as ours in which wages are the important factor of production costs.

Future tariff reductions should be clearly dependent on a gradual but steady increase in foreign wages toward levels equal to American legislative minimums at the very least.

Such a program will insure the degree of selectivity recommended by the Randall Commission when future tariff reductions are considered. It will furnish a hope to foreign workers that they will benefit directly as a result of this trade.

It will provide assurance to exporters that the purchasing power of foreign populations and their ability to consume our exports will increase.

It will furnish foreign nations an incentive to open their doors to freer trade.

It will stabilize the non-mass-production industries of this country so that they can continue to offer profitable employment to tens of thousands of Americans.

Such a program will not:

(*a*) Equalize foreign and domestic prices. Our present tariffs are now so low in most cases that, even without future reductions, many foreign imports will continue their encroachment.

(*b*) Equalize working conditions of foreign and domestic workers. Average wages in this country are, in most cases, far beyond legislative minimums.

(*c*) Impose impossible wage conditions on foreign producers. Such a program should be gradual. We recommend that it be even less drastic than the NRA legislation of the thirties, which imposed large

increases in wages on domestic producers over a relatively short period of time.

The idea is not new; the Randall Commission report of 1954 urged a high degree of selectivity for future tariff reductions. Sinclair Weeks, Secretary of Commerce, in 1953 said:

> I suggest that * * * when we come to those products where there exist radical differences in domestic and foreign labor costs not offset by greater productivity and where the output of this product is important to a substantial segment of the American economy, then we be guided in our tariff determination to the end that an adequate recognition of the labor standards of our workers in that industry be made.

Gentlemen, the impact of imports is spreading across our country. The complete abandonment of our foreign-trade policy might well become the cry unless it is modernized and tailored to the current world and domestic situation.

The reciprocal-trade agreements program, tailored for past decades, has brought us from a high-tariff to a low-tariff nation.

It has pumped new economic life into the war-devastated countries. It has served its purpose, but it has outlived its usefulness.

It must be revised radically if it is to continue to serve as a useful instrument of international relations.

The CHAIRMAN. Thank you, Mr. Paisner.

Mr. PAISNER. Thank you, very much, Mr. Chairman. May we have permission to file with the committee a brief in which we give supporting data for many of the statements that were made in this necessarily brief statement?

The CHAIRMAN. Without objection.

We will now recess until 10 o'clock tomorrow morning. You may file your statement later.

Mr. PAISNER. Thank you.

(By direction of the chairman, the following is made a part of the record:)

STATEMENT OF WEST VIRGINIA GLASS WORKERS' PROTECTIVE LEAGUE OF MORGANTOWN, W. VA., SUBMITTED BY MISS HUBERTA M. PATTERSON, SECRETARY TO SENATE FINANCE COMMITTEE IN OPPOSITION TO H. R. 12591, EXTENSION OF RECIPROCAL TRADE AGREEMENTS

Mr. Chairman, the West Virginia Glass Workers' Protective League, representing glassworkers not only in the State of West Virginia but thoughout the the entire country, wishes to present the following brief statement to the Senate Finance Committee for consideration.

We are of the opinion that working conditions in many industries in the various States are deplorable, due to continued increases in foreign imports. Foreign glassware is one of the products flooding the American market, and unemployment in this industry is continually on the rise. We believe that immediate action must be taken if the glassware industry is to survive and to provide jobs for skilled American workers in this and related industries.

We are taking this opportunity to appeal to the Senate Finance Committee for some Federal assistance to help alleviate the present critical situation in the glassware industry in the United States. We would strongly recommend several amendments to be made to H. R. 12591 as passed by the House. We feel a 2-year extension of the present law is adequate, and we oppose the 5-year extension. We believe in the recommendations of the Tariff Commission and Presidential action thereon should be subject to confirmation by a majority of the Members of the Congress, rather than to allow the executive department to have unlimited powers to control the foreign-trade policies of our Nation.

Since the 1951 act, there have been 22 cases in which the Tariff Commission decided in favor of escape-clause action, and so recommended to the President. All of these 22 cases represented situations in which the majority of the Commission found, after due investigation, that an American industry was suffering serious injury or was threatened by serious injury as a result of increased quantities of imports of products which were the subject of trade-agreement concessions.

The disappointing record of action on these 22 cases has grown more and more disappointing with the passing years. Out of 18 recommendations for escape-clause action, the President has followed the Tariff Commission majority view in only 6 cases.

The case of the glassworkers was one of those presented to the President which received negative action. Over a very short period of years, 10 glass companies, including Dunbar, Ceredo, and Paden City, all in West Virginia, just to mention a few, have gone completely out of existence. The rest of the industry is not operating at more than 50 percent of productive capacity.

While our members are walking the streets, running out of unemployment compensation, the glassware industry in other countries is thriving.

The American glassworkers have been a proud industry with highly skilled craftsmen, but now their skills are being sacrificed. We are not against reciprocal trade, as such, but, as people of the riches country in the world and as citizens, we feel that our employment should be of primary consideration to the Congress. The Nation is weakened when any segment of the economy is in jeopardy such as the glassware industry is today.

In order to help others, we must, of necessity, be able to help ourselves. The only way we can hold ourselves is by being fully employed. The unemployment situation has tended to lessen the morale of the country. If the situation is not improved soon, we are fearful of the future economy of the Nation.

It is our belief, if H. R. 12591, as recently passed by the House of Representatives, is approved by the Senate, conditions will become far worse in other industries, as well as our own, and the country as a whole will suffer.

We, therefore, urge the Senate Finance Committee to adopt amendments which will provide additional protection and consideration for domestic industries, and thus insure additional jobs for American workers.

STATEMENT OF CHARLES M. SCHEFF, PRESIDENT, THE AMERICAN FLINT GLASS WORKERS UNION OF NORTH AMERICA, ON H. R. 12591

The American Flint Glass Workers Union has had a continuing and vital interest in the tariff and trade policy of this country, and its representatives have testified before congressional committees on this subject over the years.

Ours is an industry in which direct-labor costs are high. It manufactures hand-blown tableware and other items in which craftsmanship and artistry count for much in producing a high-grade product such as is demanded by the consumer.

It is precisely because of the high labor content of the final product that our industry is so vulnerable to import competition, and it is because import competition affects our welfare so closely that we have so long been interested in the tariff. I believe that we are quite familiar with the arguments for free or freer trade. We are aware of the various export and import interests that clamor for lowered tariffs so that they may be benefited by an expanding trade.

We are constrained to say that we do not believe it fair on the part of our common Government to injure us for the supposed benefit of some other economic groups. We, on our part, are not seeking assistance from the Government to have it do something against these other groups so that we may benefit at their expense. Why should the Government, which is supported by all of us, by way of taxes and otherwise, play a role that throws its weight on the side of the one group as against the other?

Some will say that the tariff itself was an act of favoritism. It was instituted, however, many generations ago as a means of building this country economically and all our industries and economic groups have long been adjusted to it. The fact is that we have also practiced free trade for many years with respect to full half of our imports. Also we have in the past quarter of a century reduced our tariffs drastically.

Today more care should be taken than ever before in further tariff reductions because many rates are already at or below the peril point. Yet we find that H. R. 12591 would authorize the President to make an additional 25 percent reduction. To us this is alarming because we know what such a reduction would do. We know what past reductions have done. It seems very strange that a Government that we support should continue to insist on doing things to us that will take our employment away from us. This is not only odd but actually represents a degree of partiality (to the export-import groups) and hostility (to us) that should be out of place in this country.

We well know that if the tariff is further reduced; in fact, if it is not raised on the products that we help to manufacture or if no import quota is established, we will continue to suffer from unemployment and lower earnings. We have already suffered serious injury.

Surely, it will be said, the State Department and other executive departments and agencies concerned with negotiation of trade agreements would not make further tariff reductions in those cases where injury was already being experienced. We wish that we could have that much faith in the executive branch in its administration of the trade agreements law. We are not alone in the kind of experience that has destroyed any such faith. We are convinced as the result of more than 10 years of close observation and firsthand experience that the personnel that administers the trade agreements and negotiates with other countries is in many instances distinctly hostile to American industry and so steeped in the doctrine of free trade that we would be stupid indeed to look for any different treatment in the future.

We are convinced that it is to the detriment of fair import competition and injurious to the economic welfare of all American industry and their workers and also to agriculture, that are faced with ruinous import competition, to have our foreign-trade policy administered by the executive branch of the Government under a system that sets our Congress to one side. Such a system permits the Department of State to do about as it likes with American industry and this, to say the least, is a mistake.

Since H. R. 12591 would confirm this State Department control over our foreign trade and maintain it intact for 5 more years, we are completely opposed to the bill.

The Congress has no right to step aside for 5 years. Our Representatives are elected every 2 years, not simply so that they may go to Washington as tourists but to do the will of the people. Two Congresses would come and go in this 5-year period without having a chance to vote on another tariff and trade bill. We object strenuously to this method of disfranchising our members—and that is exactly what is involved here.

It must be clear to anyone who has had any close connection with the tariff and trade question in the past 10 years that the escape clause has become a cruel joke. We are convinced that it will be nothing else until the control of Congress over its own field of authority is restored.

This is another reason why we are opposed to H. R. 12591. It would sustain the State Department in its highhanded manner of administering the Trade Agreements Act.

In place of this we wish to give our support to an amendment offered by Senator Strom Thurmond of South Carolina, which would reduce the extension to 2 years and bring to Congress the review of escape clause recommendations made by the Tariff Commission.

The amendment provides that such recommendations would become effective unless upset by a majority vote of both Houses of Congress when rejection is recommended by the President. In other words, the President must seek and obtain a majority of both Houses of Congress in order to reject a Tariff Commission recommendation. Today he has unlimited power to vote such recommendations and there is no appeal. This is the source of most of the complaints over the failure of the escape clause; and we urge you to put an end to this autocratic power. It is entirely out of place in this country and we know from experience with import competition in our own industry the reason why it should be eliminated.

The foregoing is a brief statement of our objections to H. R. 12591 and our reasons for supporting the Thurmond amendment. We request that this statement be printed in the record of the hearings on H. R. 12591.

CHERRY GROWERS & INDUSTRIES FOUNDATION

Submitted by J. Walter Hebert, president, Corvallis, Oreg.

This statement is filed in behalf of the Cherry Growers & Industries Foundation, a trade association of more than 18,000 growers, shippers, and processors of sweet cherries grown in the States of California, Oregon, Washington, Idaho, Utah, Michigan, and New York. The foundation's main office is located at 302 North 20th Street, Corvallis, Oreg.

We propose an amendment to H. R. 12591 for the purpose of correcting a serious deficiency of the peril-point and escape-clause provisions of the present Trade Agreements Act, which H. R. 12591 as it passed the House does not correct. This proposed amendment is as follows:

"Add to section 5 of H. R. 12591 a subsection reading substantially as follows:

"Subsection (c) of section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C. 1364 (c)) is amended to read as follows:

"(c) As used in section 1352 (a), (c), 1354, and 1360-1367 of this title, and section 624 (b) of title 7, the terms 'domestic industry producing like or directly competitive products' and 'domestic industry producing like or directly competitive articles' mean that portion or subdivision of the producing organizations manufacturing, assembling, processing, extracting, growing, or otherwise producing like or directly competitive products or articles in commercial quantities, *and the terms 'like or directly competitive products' and 'like or competitive articles' shall include among other products or articles raw or processed agricultural or horticultural products from which there is manufactured, extracted, or processed a product or article which is like or directly competitive to any product or article upon which a concession is granted or proposed to be granted under a trade agreement.* In applying the preceding sentences, the Commission shall (so far as practicable) distinguish or separate the operations of the producing organizations involving the like or directly competitive products or articles referred to in such sentences from the operations of such organizations involving other products or articles." [New matter is indicated by italic.]

The present peril-point and escape-clause provisions (19 U. S. C. 1360, 1363, 1364) purport to be means of avoidance or escape from "serious injury" resulting from a tariff reduction or other concession under a trade agreement. The peril-point and escape-clause procedures, however, apply only to "the domestic industry" which produces articles which are "like" or "directly competitive" to the imported article involved (19 U. S. C. 1364 (c)).

In an escape-clause proceeding in the year 1952 relating to glace cherries, the majority report by the Tariff Commission declared that:

"The domestic industry producing glace cherries cannot properly be considered as including the cherry growers or the primary processors of domestic cherries who put up sulfured (brined) cherries." (Tariff Commission's Rept. No. 185, 2d series, Glace Cherries, October 1952, p. 7).

Under this view, the Commission's determination of whether or not glace cherry imports were causing or threatening serious injury to the "domestic industry" had to be confined to the effects of those imports upon the 20 to 25 domestic companies which were then manufacturing glace cherries. The serious effects upon the many thousands of cherry growers and briners dependent in large measure upon the glace cherry outlet were thus considered to be immaterial.

This apparent exclusion from peril-point or escape-clause proceedings involving manufactured products, of growers and other producers of raw materials from which the processed or manufactured products are derived, who do not themselves manufacture the raw materials into the final form in which they compete directly with the imported commodities, was pointed out to the Congress at the time the trade-agreements legislation was up for extension in 1955. At that time the Senate adopted an amendment expressly for the purpose of rectifying this situation, but the amendment was eliminated by the conference committee, evidently on an assumption that the definition of the term "domestic industry producing like or directly competitive products" which was then inserted into the act would be sufficient to accomplish the same purpose. That definition now in the present statute (19 U. S. C. 1364 (c)) reads:

"The terms 'domestic industry producing like or directly competitive products' and 'domestic industry producing like or directly competitive articles' mean that portion or subdivision of the producing organizations manufacturing, assembling, processing, extracting, growing, or otherwise producing like or directly competitive products or articles in commercial quantities."

This definition, however, clearly does not meet the situation as to the growers and briners of cherries which are normally sold to manufacturers for processing into glace cherries. The Tariff Commission readily could again rule that even under this added definition the cherries grown by the cherry growers and the brined cherries produced by the briners are not "like or directly competitive" to the imported glace cherries which may be involved in any future peril-point or escape-clause proceeding.

Consequently, the United States cherry gowers and briners may be precluded, under the present Trade Agreements Act as it would be continued by H. R. 12591, from obtaining peril-point protection as to any future proposed trade-agreement concession involving glace or other finished cherries, or from instituting, or even appearing as interested parties in, any escape-clause proceeding relative to the present or any future trade-agreement concessions on such finished cherries.

The domestic sweet cherry industry is gravely concerned by this situation, for the industry is highly vulnerable to imports of cheaply produced foreign-brined cherries and finished cherries such as glace and maraschino cherries. Forty percent of the United States annual production of sweet cherries is now normally brined for use as the raw material in manufacture of maraschino, candied, and glace cherries. In some producing districts, such as in Michigan and New York, and the Willamette Valley in Oregon, more than 80 percent of the sweet cherry production is marketed in brined form.

The brining market for United States cherries is of key importance to the orderly marketing of the entire domestic sweet cherry production, whether marketed in fresh form, canned, or otherwise processed. Brining is the only method whereby supplies which cannot be taken by the fresh markets, the canners or other users of the fresh fruit can be carried over from year to year and utilized. Any substantial reduction of the brined market for United States cherries would inevitably create a seriously surplus condition, as the other available markets could not possibly absorb any appreciable portion of the volume now brined, and demoralization of all cherry markets would quickly follow. The domestic cherry industry has no present or potential foreign market, but is dependent wholly upon the domestic United States markets.

Access to the peril-point and escape-clause procedures under the trade agreements legislation afford every industry a measure of protection against serious ments legislation is thus of critical importance to the cherry industry. The industry's present position is made especially precarious by the fact that many if not most of the manufacturers who previously purchased domestic brined cherries for the manufacture of glace cherries have ceased such domestic manufacture and now handle exclusively the substantially cheaper imported French glace cherries, the tariff rate on which has been substantially reduced under the existing trade agreement with France.

If the domestic industry producing articles like or competitive to the French glace cherries is confined to the manufacturers of glace cherries, the disappearance of the domestic glace manufacturing industry by reason of the tariff reductions on the imported cherries may deprive the American cherry growers and briners of any peril-point or escape-clause protection or relief, no matter how seriously they may be affected and injured by the imports of the foreign finished cherries.

The purpose of the proposed amendment hereinbefore set forth is to rectify this grossly unfair situation, and to make good the Government's frequent assurance that the peril-point and escape-clause provisions of the trade agreements legislation afford every industry a measure of protection against serious injury from excessive imports resulting from trade agreement concessions.

With further reference to Section 5 of H. R. 12591, we urge amendment of subparagraph (a) thereof so as to make clear that the term "any interested party" is intended to include agricult ral producers. Section 5 (a) of H. R. 12591 would then read as follows:

"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 *or agricultural producers*)'". [Italic indicates new matter.]

We further urge that the trade agreements legislation not be extended at this time for any period greater than 2 years. We concur in the widely expressed view that United States tariff policy and legislation ought to be carefully and thoroughly reviewed and reappraised, in order that they may be better adapted to changed world conditions and serve the best interests of the United States. Extension of the trade agreements legislation for a period longer than 2 years would, we believe, unreasonably deter and postpone a much-needed reexamination and revamping of the United States foreign trade policies and procedures.

SENECA WIRE & MANUFACTURING CO.,
Fostoria, Ohio, June 26, 1958.

Hon. HARRY F. BYRD,
Senate Office Building, Washington, D. C.

DEAR MR. BYRD: We must register ourselves against the bill now known as H. R. 12591 in its present form. We feel that we should even go as far as to increase the tariff rate considerably on material such as fine wires.

We realize there is a lot of heavy steel and other items being exported by our country that contains very little labor, but the damage is to the smaller people who must necessarily put in a lot of labor to manufacture such an item as our fine wire. That is where we are being hurt, as well as labor is being hurt, because of the high number of labor hours put into such fine products.

A good example of what is taking place is 32 gage oil tempered brush wire which is selling domestically by our domestic producers at around $62 per 100 pounds and it is being brought in and delivered in Chicago at $33.07 per 100 pounds. This, of course, is due to the cheap labor contained in foreign imports, and we just cannot compete with this situation. The same thing is existing in other fine-wire items, such as broom wire, mattress wire, stapling, box stitching, bookbinders, flat, gutter-broom wire, weaving wire, etc.

Our sales are now down about 20 percent as compared to last year. Not all of this is due to foreign imports, but the foreign imports are an important part of this. It is hard to estimate just how much of the reduction is due to foreign imports, as importation of items is also in other items that are imported and that require wire. So the effect is snowballing.

Reciprocal trade, of course, is a good goal, but Cordell Hull's idea has been turned into a foreign aid program, while the interests of small manufacturers in this country have been shoved to the background.

We feel it is important that Congress reassert its constitutional responsibility.

If nothing is going to be done to increase the tariff on such items as we manufacture, and other high labor content items, then these small manufacturers, manufacturing these finer goods, should be compensated for losses.

It would be practically impossible for a single company or industry to obtain a two-thirds vote of both Houses of Congress to override any Presidential decision in an escape clause case, as provided by the bill.

The 5-year extension is entirely too long as it ignores possible changing economic conditions and such an extension certainly should not go beyond the present Presidential term, rather than binding the hands of a future administration.

The present Reciprocal Trade Act and this bill certainly will encourage new plants and facilities to be located in foreign lands, rather than here to provide future employment for our expanding labor force.

What is going to be done to replace such fine wire drawing equipment that will be scrapped as the result of no domestic demand, in the event of a future war? We are already dumping all of our round tempered brush wire at a heavy sacrifice and discontinuing its production, as the result of the present program.

Respectfully yours,

H. L. MARTIN,
Vice President and General Manager.

THE ATLANTIC WIRE CO.,
Branford, Conn., June 26, 1958.

Subject: H. R. 12591.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR BYRD: As Chairman of the Senate Finance Committee I would like to urge that you amend the subject legislation to include the following provisions:

1. Reduce the term of the Extension Act from 5 to 2 years because none of us can judge at this time what the economic climate will be in this country or in the world 5 years from now. To commit our country to a 5-year program in this field may not only be regretted but might even be disastrous by 1963.

2. Reduce the tariff-cutting authority from 25 percent or more to 10 percent or less. The reductions which have already been made in our import duties have injured many domestic companies rather severely. We manufacture fine and specialty steel wire and have had our production operations reduced and our employment figure reduced because many of our customers can purchase similar quality from abroad at considerably lower prices. This, of course, is due not only to lower wage costs abroad but an indirect subsidy program on the part of some foreign governments, particularly the Benelux countries.

3. Restore the responsibility in determining escape clause relief to the Congress where it does belong and not to the President. We feel that it is entirely academic and certainly not workable to expect that the Congress could muster a two-third's majority to override a Presidential veto in the event the Tariff Commission sincerely felt a domestic industry was going to be injured or wiped out of existence by low tariff duties.

We hope that you will exert considerable influence in bringing about these amendments.

Sincerely yours,

W. E. HITCHCOCK, JR., *President.*

STATEMENT OF OPPOSITION TO H. R. 12591 BY GEORGE P. BYRNE, JR., LEGAL COUNSEL, UNITED STATES WOOD SCREW SERVICE BUREAU REPRESENTING 65 SCREW MANUFACTURERS

INTRODUCTION

This statement is submitted on behalf of the United States Wood Screw Service Bureau, a trade association representing approximately 65 manufacturers of wood screws, machine screws, cap screws, socket screws and rivets. These producers, their stockholders and employees have a direct interest in proposed legislation H. R. 12591 (Trade Agreements Extension Act of 1958) because imports of screws into the United States have increased in such quantities as to cause or threaten to cause serious injury to them and their employees. A list of these producers is attached to this statement.

Vincent J. Roddy, president of the American Screw Co., and I testified before the House Ways and Means Committee strongly opposing this legislation. We are unable to testify before your honorable committee but are submitting this statement and a copy of Mr. Roddy's statement before the House Ways and Means Committee to register the screw manufacturing industry's strong protest against H. R. 12591. Our principal objections are:

1. Five years is too long for this law to go unchanged. Of course, the law can be changed at any time. But from the standpoint of our industry, which has suffered intensely from tariff cutting and unfair administration of the escape clause by the executive branch of the Government, we know from disastrous experience that a 5-year blank check will leave small industries without help or recourse during this long period. The screw manufacturing industry has exhausted its remedies for all practical purposes with relief procedures now in existence or those proposed under H. R. 12591. This industry, as well as many other small businesses, such as handtools (which we also represent) have no other source of relief except through Congress.

2. We object to the further power given to the President to reduce tariffs at the rate of 5 percent per year for the next 5 years. Advocates of the bill say, "the President won't cut tariffs in your industry if it is being presently injured. The peril-point procedure will safeguard you." The screw industry knows this is not true and has seen tariffs reduced consistently since 1948 even though injury to this industry has been clearly established. More tariff reductions will occur in the future under this law, if passed, even though we vigorously protest and establish injury beyond any possible doubt.

3. This bill fails to provide any effective change in the law which will insure aid to seriously injured industries under the escape clause which until now has not been administered as originally intended by Congress.

We submit below reasons why the domestic fastener industry needs help from Congress and why enactment of H. R. 12591 will merely continue the deplorable inequities that have arisen under previous extensions of the Trade Agreements Act.

EVIDENCE OF INJURY TO DOMESTIC INDUSTRY

As an example of what has happened in the domestic wood screw industry, we attach hereto a chart showing the huge volume of imports since 1950. Note that although in recent months imports have declined somewhat, so also have domestic sales volumes, due principally to the current business recession. Using a monthly average import figure for 12 months from April 1957 through March 1958, imports of wood screws amount to 26.10 percent of domestic orders received during that same period.

From charts attached, showing imports as well as domestic sales, it can be observed that domestic shipments have declined from an average of over 4 million gross per month during 1950–51, when imports began, to an average monthly shipment of 2,400,000 gross in 1957 and 2 million for the first 5 months of 1958. The combination of adverse business conditions and huge imports in relation to domestic orders is causing a major catastrophe in the wood screw industry and is in danger of wrecking it as an essential domestic industry. During World War II no screws were available from abroad. Our domestic industry was expected to produce them on short notice by the trainload for vital war needs. In peace as well as war other articles cannot be fastened together without screws.

NEGATIVE ESCAPE-CLAUSE EXPERIENCE OF WOOD SCREW INDUSTRY

Small domestic industries, such as the screw and rivet manufacturing industry, have not received the kind of protection envisaged by Congress in the Trade Agreements Extension Act of 1951, as amended, which made the escape-clause proceedings a matter of legislative directive. Domestic wood screw manufacturers contend that they have been seriously injured by imports and that remedial action can only come from imposition of an import quota. In the face of imports of the relative volume shown on the attached chart, here is what happened to the wood screw industry when it applied for escape-clause relief (from United States Tariff Commission survey on outcome or current status of applications filed with the United States Tariff Commission for investigations under the escape-clause of trade agreements, as of July 2, 1956):

Commodity	Status
22. Screws, commonly called wood screws, of iron or steel (1st investigation). (1951.)	Origin of investigation: Application by United States Wood Screw Service Bureau, New York, N. Y. Application received: Aug. 15, 1951. Investigation instituted: Aug. 22, 1951. Investigation completed: Dec. 29, 1951. Recommendation of the Commission: No modification in concession recommended. Vote of the Commission: 4-2. Reference: U. S. Tariff Commission, Wood Screws of Iron or Steel: Reports on the Escape-Clause Investigations, December 1951, March 1953 (Rept. No. 189, 2d series, 1953).
32. Screws, commonly called wood screws, of iron or steel (2d investigation). (1952-53.)	Origin of investigation: Application by United States Wood Screw Service Bureau, New York, N. Y. Application received: Apr. 1, 1952. Investigation instituted: Apr. 4, 1952. Hearing held: June 30 and July 1, 1952. Investigation completed: Mar. 27, 1953. Recommendation of the Commission: No modification in concession recommended. Vote of the Commission: 3-1. Reference: U. S. Tariff Commission, Wood Screws of Iron or Steel: Reports on the Escape-Clause Investigations, December 1951, March 1953. (Rept. No. 189, 2d series, 1953).
53. Screws, commonly called wood screws, of iron or steel (third investigation). (1954)	Origin of investigation: Application by United States Wood Screw Service Bureau, New York, N. Y. Application received: Jan. 29, 1954. Investigation instituted: Feb. 25, 1954. Hearing held: May 26-27, 1954. Investigation completed: Oct. 28, 1954. Vote of the Commission: Equally divided (3-3). Action of the President: President decided not to modify the concession Dec. 23, 1954. Reference: U. S. Tariff Commission, Wood Screws of Iron or Steel: Report to the President on Escape-Clause Investigation.—1954 (processed).
67. Screws, commonly called wood screws, of iron or steel, (fourth investigation). (1956)	Origin of investigation: Application by the United States Wood Screw Service Bureau, New York, N. Y. Application received: Jan. 20, 1956. Investigation instituted: Jan. 26, 1956. Hearing scheduled: June 12, 1956. Investigation discontinued and dismissed at applicant's request, and hearing canceled: Apr. 9, 1956. Vote of the Commission: Unanimous.

When it requested dismissal of its application on April 9, 1956, the United States Wood Screw Service Bureau and its members had concluded, based on their experience and the experience in other small industries requesting similar relief, that effective import quota aid would not be granted under the then current presidential foreign trade policy. It was decided to waste no more time and effort pursuing remedial relief through escape-clause procedure. Obviously the executive branch is far removed from the import troubles of small manufacturers, as would be an international agency as the Organization for Trade Cooperation (OTC), that the problem is little understood and assistance can only come from Congress which is more responsive to the seriousness of the plight of small business.

SMALL BUSINESS MUST SEEK HELP THROUGH CONGRESS

The screw manufacturing industry is composed of small manufacturers with many plants having less than 100 employees, although some have as many as a thousand employees. The screw manufacturing business in the United States, divided among 200 companies, is essentially small business. Its principal avenue of relief in the current desperate import situation apparently is through its Congressmen who are close to the screw manufacturing plants located in their various districts.

H. R. 6902 AND S. 1890 PASSAGE NEEDED TO ESTABLISH QUOTA

Because no adequate relief could be obtained through escape-clause proceedings, as originally intended by Congress, and because import quota relief is desperately needed by the wood screw manufacturing industry, at our request Congressman Noah M. Mason, Republican, of Illinois, introduced a bill, H. R.

6902. Senator Everett M. Dirksen, Republican, of Illinois, introduced a companion bill in the Senate, S. 1899, which would establish an import quota on imports of wood screws.

REASON QUOTA IS NECESSARY

The reason the domestic industry has requested an import quota in its application for relief to the United States Tariff Commission under escape-clause procedure is that increases in the tariff rate alone would be inadequate to compensate for the wide difference in cost between domestic and foreign producers. The average price of imported screws sold in the United States today is approximately one-half of the average price of domestic wood screws. Increases in tariff rate from the present 12½ to 25 percent ad valorem, the maximum allowed under the present law, would have little or no effect in offsetting the unfair low labor cost advantages of foreign producers, particularly those in Japan.

An import quota of a reasonable amount, allowing foreign producers to participate in this market and yet not to such a degree as would totally destroy the domestic industry, is the only reasonable answer. Even though the present Trade Agreements Act, as amended, contemplates use of import quotas as remedial relief to aid a seriously injured domestic industry, the executive branch of the Government has steadfastly attempted to maintain as one of its major policy platforms of free trade that no import quotas on manufactured goods shall be imposed. Foreign countries establish quotas, embargoes and licensing arrangements which, in effect, are no more than quotas. Yet, our Government stands forth like a white knight in shining armor refusing to protect its own small industries with reasonable import quotas. That is why we ask your committee not only to defeat H. R. 12591 but also to act now on our import quota bill S. 1899.

LACK OF STATISTICS HAMPER ESCAPE-CLAUSE RELIEF

Another reason effective relief is denied the screw industry is that the Census Bureau does not collect or disseminate adequate statistics of imports. For example, machine screws, cap screws, socket screws, tubular rivets, and many other type fasteners are lumped in a metals and wares category of items, not elsewhere specified, in paragraph 397 of the Tariff Act of 1930. No suitable statistics of imports are collected for these products by the Census Bureau. They are lost in the shuffle and, although the domestic industry knows that huge quantities of these screws are being imported, through sources such as the Import Bulletin of the New York Journal of Commerce, no adequate statistics are available to establish injury as required by the United States Tariff Commission under escape-clause procedure.

SHIP MANIFEST DATA INADEQUATE

As a further illustration of why adequate statistics are difficult to obtain, we cite the situation of certain importers securing a ruling from the Treasury Department preventing such agencies as the Import Bulletin of the New York Journal of Commerce from publishing their names or the quantities imported by them in the Import Bulletin. As a result of the New York Journal of Commerce and this industry vigorously protesting this rule, the censorship was changed slightly so that now quantities may be published, but no names of importers are listed.

A sample of the type of information taken from ships' manifests published by the Import Bulletin of the Journal of Commerce, covering not only screws but thousands of other products, is on the sheets attached hereto. This type of statistical data is confusing and useless as a basis for establishing an escape-clause case by an industry being injured. No Census Bureau statistics are available showing actual quantities in pounds, pieces, tons or dollars except in the case of wood screws (see chart attached).

Minor administrative actions by executive branches of the Government are misguided efforts to carry out the top policy of the administration to free up trade, and, caught in the middle are small domestic industries which are hamstrung in obtaining vital information essential in establishing their case under escape-clause procedure. This is another reason why we urge Congress not to extend the present Trade Agreements Act for 5 years because the new law would be another blank check to the free traders in the administration to ignore the plight of small business.

PASSAGE OF S. 2240 NEEDED TO INSURE MARKING OF FOREIGN ORIGIN ON PACKAGES

Passage of H. R. 12591 is further opposed by the screw manufacturing industry on the ground that it does not establish adequate safeguards for protection of small highly competitive businesses from unfair import competition. For example, at our industry's request, Representative Noah M. Mason (Republican), Illinois, has introduced H. R. 8111 in the House of Representatives amending the Tariff Act of 1930 with respect to marking of imported articles and containers. A companion bill, known as S. 2240 (attached) was introduced in the Senate by Senator William A. Purtell (Republican), Connecticut. The purpose of this legislation is to prevent commingling of imported screws with domestic screws by importers, jobbers, distributors, and others, and offering them in the trade as domestic products.

Foreign producers select the most popular sizes of screws to import. Their purpose is to make large volume sales at low prices of so-called heart-of-the-line items. When these are sold through the distributing trade and also to large users, resellers find it a simple matter to commingle the imported screws with domestic screws of odd sizes and unusual diameters and lengths and offer them without clearly marking the new containers indicating that most or part of their offerings are imported screws.

Since there is considerable preference throughout the trade for domestic products, misrepresentation of this kind constitutes unfair competition and places domestic producers at a further disadvantage in competition with imported products. The Federal Trade Commission has attempted to rule this kind of activity as unfair competition under section 5 of the Federal Trade Commission Act, but the conditions and limitations included in its various decisions make effective enforcement practically impossible.

Accordingly, we have had introduced H. R. 8111 and S. 2240 as bills which will prevent commingling and help establish fairer competition between domestic and imported products. We refer to these bills introduced by us as evidence of the urgent need for protection of our small industry. Because H. R. 12591 provides no tangible assistance of the kind needed by our industry and proposes power in the executive branch to reduce tariffs still further and also fails to return to the control of Congress its power over tariffs and imports, we are unalterably opposed to its passage. We support Senator Thurmond's amendment to H. R. 12591 which would reduce the period to 2 years and restore congressional authority over tariffs as under the Simpson-Davis bill (H. R. 12676).

STATEMENT OF VINCENT J. RODDY IN OPPOSITION TO H. R. 10368 BEFORE THE HOUSE WAYS AND MEANS COMMITTEE, WASHINGTON, D. C., THURSDAY, FEBRUARY 27, 1958

My name is Vincent J. Roddy. I am president of the American Screw Co., Willimantic, Conn. As a member of the screw-manufacturing industry, I represent my company here today to express our concern as to the damaging effects H. R. 10368 may have on the economy of the United States, the economy of the State of Connecticut, and the well-being and job opportunities in the fastener industry. The underlying objectives of bill H. R. 10368, helpful as they may be to international policy, should not be the sole consideration, especially when the sacrifice of many United States industries is involved.

We probably could arrange for a dozen manufacturers of screws to testify before your committee to tell you of the economic stangulation occurring to this industry due to imports. However, to conserve time, I have been asked to appear as an individual manufacturer typical of the industry. I refer in this statement particularly to imports of wood screws; however, my company has been hard hit by imports of other types of fasteners, such as machine screws and tapping screws.

The material presented by Mr. Byrne speaks for itself. The current recession, of course, vastly increases the economic hardship caused by the flood of imports. Our company's incoming orders have declined severely in the past 6 months. Our plant has been operating on a 4-day week, but has returned to a 5-day operation with the layoff of a substantial number of employees.

The wood-screw industry is one of the older industries in the United States, and the American Screw Co. has been a producer of wood screws for 120 years. In all that time, imports were no problem for our company until 1950, following

reductions in the tariff and devaluation of the British pound. Since then, the ever-increasing volume of imports has been a serious problem. Wood screws, machine screws, tapping screws, etc., are readily subject to substitution as to source. No style variations, or even much in the way of quality differences, can be emphasized to offset and outsell imported products. What occurs is simply a substitution of our sales by imported products with resulting economic loss to our company and cutbacks in employment and idling of equipment. Yet in escape-clause cases, relief has been denied to our industry. Despite the loss of 20 to 30 percent of the domestic industry's volume to imports, we have not been considered as seriously injured by the executive department of the Government. Facts do not substantiate this conclusion, and I would remind you that, without these products of our industry, our entire transportation system as well as all basic industries, would grind to a dead halt. If for any reason the imported product was unavailable—and our domestic fastener industry had been reduced to an impotent source of supply—what would be the result?

In May of 1957, after a great deal of study, our company reluctantly decided that, due principally to increasing imports, it would be necessary to close our Norristown plant. This plant had produced wood screws and other fasteners for over 50 years. Approximately 100 employees in the small town of Norristown, Pa., lost their jobs as a result of this cutback.

As Mr. Byrne states, there are over 200 companies producing various types of screws, nuts, bolts, and rivets in the screw-manufacturing industry. The industry is composed principally of small manufacturers, and is extremely competitive. We consider our company basically small business, although we know that our payroll in a locality such as Willimantic, Conn., gives much-needed employment to people in that area. The majority of job opportunities in Willimantic are for women, whereas most of the jobs at the American Screw Co. are filled by men. Hence, job losses at American have a very serious impact on our community.

I would like to draw your attention particularly to H. R. 8111, providing for an import quota of wood screws, and also H. R. 6902, which would require persons selling imported screws in the United States to plainly mark packages containing them with the country of origin. We have not obtained the relief desperately needed by our industry through the so-called escape-clause procedure. These bills, reducing imports in the case of one and insuring fairer competition in the case of the other, would help considerably though they will not solve the entire problem. Both bills are now in your committee. We hope you will act on them favorably without delay.

While I refer to these bills which were designed especially to help our own industry, I am here today primarily to express concern over the extension of the present Trade Agreements Act; first, because it would give the executive branch of the Government authority to reduce tariffs further, which is unthinkable for the products of our industry, and secondly, because effective relief to seriously injured domestic industries cannot be obtained under the procedure now established in the present Trade Agreements Act. Decisions of the United States Tariff Commission in cases involving seriously injured industries should be final except for review by or appeal to an appropriate committee in the Congress. I believe that if such procedure were initiated, some commonsense solution would be found for the corrosive and cancerous effect of unlimited imports on this industry which has proved so vital to the Nation in a period of national emergency.

I have attached to this statement material released by the Connecticut Trade & Employment Council, Inc., of Bristol, Conn., telling of the formation of this organization to assist and protect the job opportunities of Connecticut men and women, threatened by imports of products from low-wage foreign countries. I request that these releases be inserted in the Congressional Record along with this statement as reflecting the grassroots efforts now going on in Connecticut to obtain assistance from low-labor imports.

Thank you very much.

(The material attached to Mr. Roddy's statement appears on pp. 701–717 of the printed hearings on the renewal of Trade Agreements Act by the House Committee on Ways and Means.)

STATEMENT OF CHARLES M. GRAY, MANAGER, INSULATION BOARD INSTITUTE, IN OPPOSITION TO H. R. 12591

This statement is filed in opposition to H. R. 12591, on behalf of the Insulation Board Institute, a trade association of domestic insulation-board manufacturers.

Insulation board is used principally in building as an insulating medium against temperature changes. It is made of wood, cane, and other vegetable fibers ranging from one-quarter to 1 inch in thickness, which is cut into convenient building sizes. Board seven-sixteenths inch and over in thickness is used in construction of structural sheathing, roof insulation, plaster-base lath, building board, or is used in the manufacture of acoustical tile, interior tile and plank, and insulating siding. Thinner board has a variety of uses, ranging from shingle backer and building board to pipe gasket.

Imported insulation board is classified under tariff item 1402 of the Tariff Act of 1930 as "pulpboard, wallboard * * * not plate finished," on which the duty rate is now 5 percent ad valorem, having been reduced from an original rate of 10 percent ad valorem by a 1949 trade-agreement concession.

In considering the proposal in H. R. 12591 to extend and broaden the tariff concession negotiating powers of the Executive, the domestic insulation-board producers, although appreciative of the basic aim of the trade-agreements program, are most apprehensive over the results of that program during the past 24 years of such delegated authority.

Instead of being, as originally intended, a program of trade agreements for the interchange of tariff reductions designed to increase two-way trade, it has become a one-way street for this country to open its markets to foreign merchandise. No longer being oriented, as originally conceived, as a matter of domestic policy in our own self-interest, it has become an instrument of our foreign policy to meet the Soviet challenge, and an answer to any other foreign relations problem that arises. Contrary to its original concept of leading to mutual concessions from abroad, it has resulted in increased quantitative and other evidences of economic nationalism.

Having meanwhile already negotiated our tariff rate bank account down to a small fraction of its 1934 condition—which would suggest a prudent reappraisal of the results achieved by the program—it is now proposed that we commit ourselves for an unprecendentedly long period to accelerating the withdrawal of our remaining tariff bank balance.

Believing that we will not win the peace by such profligacy and rather than our only sound defenses to the Soviet challenge are our own production, our independence of foreign sources for strategic materials, and the economic well-being of this country, the domestic insulation board producers believe that new and more effective methods of encouraging two-way trade are vitally needed instead of simply blindly continuing a warmed-over method.

Specifically, we are opposed to four features of H. R. 12591.

A. The proposed 5-year duration of the proposed Executive's authority to make new trade agreements is unprecedented, and destructive of the needed periodic congressional review of the trade-agreements program. Such a lengthy delegation is particularly anomalous now, in precluding a long-needed congressional consideration of the Tariff Commission's recommendations regarding tariff classifications, in preventing correction of procedural defects, and in destroying congressional flexibility in adjusting our tariffs to fluctuating domestic economic activity and employment, etc. We urgently recommend, at most, a 1- or 2-year extension of the present negotiating authority.

B. We further are opposed to the proposed increase in tariff-cutting authority and particularly the proposed alternative authority of reducing any rate by 2 percent ad valorem below the rate existing on July 1, 1958. As applied to the present reduced tariff rate on imported insulation board (i. e., 5 percent ad valorem), this alternative authority would permit a 40 percent reduction in the present rate and reduce it to a 3 percent ad valorem rate (30 percent of the 1930 rate).

These percentage limitations on the proposed grant of new changing authority appear to have been pulled out of the air. Why a 25 percent blanket reduction? Why a "2 percentum point" reduction? How can anyone possibly know what the impact of such excessively broad new authority can be on domestic industries?

C. The three abstract, alternative authorities to cut tariff rates are proposed without any standards to guide the Executive in exercising them. There is no direction to the Executive in lowering our remaining tariff rates by trade agree-

ments, to distinguish between products and industries essential to our national security and those that are not; or between those tariff rates that have been heretofore reduced, either relatively or absolutely, and those who have not; or between those products and industries now adversely affected by or sensitive to imports and those that are not; or between the relative wage rate or costs of production here and abroad; or between those products and industries that process indigenous commodities or their byproducts, and those that do not. Yet these basic policy distinctions that would be left entirely to Executive discretion by the bill, determine the continued well-being of most domestic industries.

Such policy matters, constitutionally committed to the Congress, are now to be exercised by the Executive freely and independently for a 5-year period, and if exercised near the end of that period can have an effect for many years beyond.

Such a lack of bench marks for the Executive to follow in the proposed tariff rate changing authority make it an unbridled delegation of power to select which of the domestic industries are to be sacrificed in the furtherance of our foreign relations and preclude the impact of imports falling equitably on all segments of our economy.

D. These proposed new tariff cutting powers are even more obnoxious in view of the failure of the bill to provide an effective escape from improvident concessions that may be granted. The present escape-clause procedure is a hollow, illusory remedy, in which relief is dependent upon the judgment of the Executive. This defect is not cured either by authorizing a larger restoration or an Executive-fixed tariff on products now on the free list where the Executive retains power to follow or ignore an escape-clause recommendation of the Tariff Commission. Effective congressional control over administration of the Trade Agreements Act, and escape from the harshness of its impact on a particular industry, cannot be provided by the proposed two-thirds voting requirement.

Despite assurances of both major political parties in their 1956 platforms of the protection of domestic industry and labor in the exercise of the escape-clause and peril-point provisions, the proposed bill fails to reaffirm the basic purposes of the trade-agreements program of avoiding injury to American workers and producers, of furthering our national security, or of insuring effective reciprocity for our trade concessions. Summarily stated, there is no protection in H. R. 12591 against the proposed broadened authority to cut our tariff rates remaining simply an instrument of our foreign policy.

For these reasons, we oppose the passage of the bill in its present form, cognizant that its defeat will not end the trade agreements already made but will affect only authority to make new agreements. We respectfully urge a period in which to digest tariff rate concessions already made, to consider the entire realm of duty classifications and rates as recommended by the Tariff Commission in its present study, and to appraise present domestic economic problems.

VINYL FABRICS INSTITUTE,
New York, July 1, 1958.

HON. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR BYRD: The members of the Vinyl Fabrics Institute wish to express their opposition to the Trade Agreements Extension Act of 1958, H. R. 12591.

This institute was formerly known as the Plastic Coating & Film Association. It is comprised of manufacturers of pyroxylin and vinyl-coated cotton, all-plastic vinyl sheeting, and synthetic fabrics primarily for upholstery purposes in the furniture and automotive industries. In addition, there are many other applications, including luggage and case coverings, folding doors, garment material, shoes, handbags, and a wide range of specialty items.

In recent years there has been a tremendous increase of foreign industrial output, not the least of which is competitive with products similar to our own industry's. This has all been engendered in large measure by economic aid and know-how from the United States. This program has, in turn, enabled Western Europe and the Far East to produce goods of a quality and in a quantity which presents a constantly increasing competitive threat, now of very real proportions.

While such aid from us has helped to restore much of the free world's economic health, it is our strong opinion that any move to further increase the flood of cheaply mass-produced foreign products into the United States will serve only to diminish rather than strengthen our United States economy.

The act proposes a further 5-year authority for the Executive to decrease tariffs. In effect, this can mean 10 years, since a reduction negotiated just prior to the end of this 5-year period could be made effective in successive steps for a further 5 years. Such an extension is, in our opinion, not only dangerous but completely unnecessary. It appears most unwise to extend tariff-cutting authority in the face of rapidly changing world conditions, the direction of which is in no way ascertainable. The realization of the European Common Market will certainly result in the application of its common tariff to all other countries over the period of the next few critical years. What impact this will have on United States trade cannot be stated, particularly as regards any particular product or group of products. It seems inconsistent with good judgment under such circumstances to authorize further extreme tariff cutting by a future Executive who is not now known, and in a direction which may become increasingly more harmful to the free world's strongest single economy.

While it may be said by some groups that there are protective features in the proposed act which will provide a reasonable measure of safety to our industry from the competition of lower standard countries, the record clearly shows that very little such aid has been forthcoming or is likely to be.

As a country, we are unable to measure the extent to which it is claimed the program of reducing tariffs has been beneficial, if to any real degree at all. Yet, further reductions are indiscriminately proposed which could extend through this administration and into the next one. We strongly feel that the continued extension of such broad powers to the executive branch is unwise and undesirable. It is our urgent recommendation that H. R. 12591 be not passed.

We appreciate the opportunity to present our views in this manner before the committee.

Respectfully submitted.

PAUL F. JOHNSON,
Executive Secretary.

STATEMENT OF DONALD M. MILLER, CHAIRMAN, ASSOCIATED REPRESENTATIVES OF STAFFORDSHIRE POTTERS, NEW YORK, N. Y., IN SUPPORT OF THE PROPOSED TRADE AGREEMENTS ACT OF 1958

The Associated Representatives of Staffordshire Potters, New York, N. Y., submit the following statement to the Senate Committee on Finance in support of the position that passage, by the Senate, of the proposed Trade Agreements Extension Act of 1958, H. R. 12591, is vital to the mutual economic and political interests of the United States, the United Kingdom, and the rest of the free world.

The Associated Representatives of Staffordshire Potters is a trade organization, including in its membership 13 separate concerns engaged in, among other things, the importation into the United States and sale therein of various earthenware and bone chinaware products from the United Kingdom. Imports by said association account for a very substantial portion of the total imports of such products from the United Kingdom.

On June 20, 1958, the Senate Committee on Finance began hearings on H. R. 12591, the Trade Agreements Extension Act of 1958. This proposed renewal, already approved by the House of Representatives by an overwhelming majority, provides for extension, with certain amendments, of the existing reciprocal trade agreement law. This legislation comes at a time when increased reciprocal trade is becoming more and more of a necessity in fostering and maintaining world economic and political security and stability.

Reciprocal trade agreements have played a vital part, since their inception, in bringing about a more vigorous and dynamic growth to the United States economy. Continued two-way trade is essential to the maintenance of economic welfare, both for the United States and the United Kingdom, as representatives of the free world. United States industries need export markets and it is incumbent upon the United States to open its markets to the industries of foreign nations so that they can be given the opportunity to earn the dollars to pay for the goods we sell. Aside from the direct benefit to the actual economy of the United States it is equally as important to support the industries of our

allies in the free world so that they may maintain a healthy economic and political status.

Historically, the United Kingdom has virtually always been a most-favored nation in economic and political relationships with the United States. Our mutual pasts have always been linked in the forefront of the struggle for political and economic freedom. A continued most favored relationship is vital to the future struggle in keeping the bulwark of free economic endeavor healthy and strong.

There are occasions when the effort to aid foreign industry by facilitating its exports to the United States results in injury to domestic enterprise in whole or in part. However, in the fields represented by the Associated Representatives of Staffordshire Potters, that of bone chinaware and high-priced earthenware, the situation is unique in that there is virtually no such possibility of serious injury to the domestic industry producing like or directly competitive articles. Even if the possibility of any injury should arise, adequate remedy is provided for in the proposed bill as passed by the House of Representatives.

First, bone chinaware and the high-priced earthenware, in which the association is interested, are distinctive products which are not in direct competition with domestic ware, and second, domestic manufacturers of high-priced and high-prestige ware have expanded and prospered over the years in which a reciprocal trade program has been in effect. Since importation of these products from the United Kingdom in the past has not proven detrimental to any domestic interest, there is no reason to believe that future continuation of this policy will alter the situation.

Despite some reductions in tariff duties, there has been a downward trend in imports of bone chinaware and high-priced earthenware from the United Kingdom due to a number of factors. Prices of chinaware, both domestic and imported, have increased to some extent in recent years. Figures are not available on domestic lines, but any domestic increases in price and cost have been more than matched by a total overall price increase on imported bone chinaware of at least 30 percent since 1953 and an ocean freight cost increase of at least 10 percent during the same period. A further cause of the decline in imports of British ware has been the trend toward modern designs and decorations and away from the more traditional patterns which have, in the past, characterized British ware. In the last year, sales resistance to higher priced luxury items and substitution of lower priced products, the tremendous volume of imports of chinaware and earthenware from Japan, and the increasing sales of competitive products, especially plastic ware, have contributed to this decreased volume. Without a renewed reciprocal trade agreement law, containing a possibility of additional tariff reductions on imports of bone chinaware and high-priced earthenware, there would be no chance of offsetting these increased costs and arresting the downward trend of import volume. Certainly, reversing this downward trend would be most advantageous to an important industry of one of our allies in the free world and, therefore, advantageous to the economic and political security of the United States as a segment of the free world, without any injury or threat of injury to the domestic china industry or to any segment thereof.

Tariff rates of duty now applicable to bone china tableware are still relatively high. The effective rate of duty on decorated bone china, for example, is now 35 percent ad valorem; the effective rate of duty on undecorated bone china is 30 percent ad valorem, under paragraph 212, Tariff Act of 1930, as amended.

Bone china is not produced in the United States and imports are supplied almost entirely by the United Kingdom. It differs markedly from the feldspathic china produced in the United States and elsewhere in the world. It is highly distinctive in character and appearance and occupies a historic high-prestige position in the consuming trade in the United States and elsewhere. Bone china sells at prices generally higher than the prices of the great bulk of chinaware produced in the United States. Bone china products generally have designs that are distinctive and different from designs used on domestic ware.

The importers and distributors of bone china products in the United States and the manufacturers in England have uniformly maintained the position that bone china is special and distinct from any other type of china produced in the world. Due to its unique characteristics it enjoys a special reputation which has lasted for over 100 years. Its reputation has created a universal good will for the product, which has formed the base for the specification of brand on the part of the purchasing public. It is believed that this is as true today as it has always been, and that a prospective purchaser who desires to purchase

bona china dinnerware has arrived at that decision because of the foregoing factors and is not satisfied with substitution of any other type of china.

If there is any domestic product with which imported bone chinaware is in competition, it is only the highest priced brands of feldspathic chinaware, enjoying the highest prestige. The domestic producers of the highest priced, highest prestige feldspathic chinaware have greatly expanded their production and prospered in recent years. It follows that the competitive impact, if any, of the imports of bone chinaware has not interfered with the operations of said concerns.

The volume of imports of bone china from the United Kingdom in recent years is shown by the following table:

Imports of decorated bone china tableware from United Kingdom

Year	Quantity (dozen)	Value
1952	534,768	$3,890,906
1953	420,562	2,906,332
1954	405,945	2,768,279
1955	478,647	2,816,043
1956	374,737	2,661,243
1957	410,289	2,835,864

The high-priced earthenware products imported by the members of this association from the United Kingdom have, as a result of past negotiations under the trade agreements law, been separated in the Tariff Act by size and minimum value brackets from the large-volume imports of lower priced earthenware products imported principally from Japan.

Decorated earthenware tableware plates, cups, and saucers principally from the United Kingdom, are currently dutiable under paragraph 211 of the Tariff Act of 1930, as amended, at 10 cents per dozen pieces and 20 percent ad valorem. Other higher priced earthenware, both decorated and plain, is currently subject to a duty of 10 cents per dozen pieces and 25 percent ad valorem under said paragraph.

The members of this association also import earthen artware for which a separate tariff provision has been created for products valued at $10 or more per dozen pieces by trade-agreement action. Such ware is currently dutiable at 4 cents per dozen pieces and 21 percent ad valorem.

Just as in the case of bone chinaware, imported English earthenware is largely noncompetitive with comparable domestic ware. Household tableware, both plain white or undecorated and decorated, imported into the United States from the United Kingdom, is uniformly of high quality and is sold in the United States at prices generally higher than comparable American produced ware. Continued marketing of the British product at higher prices is due in large part to the prestige which it enjoys in the American market. It is sold on the basis of consumer preference rather than because of any underselling or displacement of any comparable product made in the United States.

British art pottery, possessing considerable intrinsic artistic merit, also generally commands a higher price than the general class of the American-made ware, and a considerably higher price than the imported Japanese, German, or Italian ware. Most of these art pottery items are decorated by hand and find no counterpart in domestic production or other foreign importations. The sale of these items is effected solely on the basis of individual consumer appeal or preference and there is little or no direct competition in the sale of these items from different sources. In recent years, art pottery imports from the United Kingdom have also suffered a downward trend.

There is set forth hereafter imports from the United Kingdom of earthenware tableware products and artware for the years 1952-57, inclusive.

Imports from United Kingdom of earthenware tableware, decorated and undecorated, valued over the maximum values specified in par. 211, Tariff Act of 1930, as amended

Years	Quantity (dozen)	Value
1952	1,032,510	$3,304,432
1953	984,166	3,135,150
1954	917,500	2,854,922
1955	836,002	2,638,817
1956	826,556	2,602,301
1957	1,080,223	3,393,808

Imports from United Kingdom of earthenware articles, other than table and kitchen articles, valued $10 or more per dozen

Years	Quantity (dozen)	Value
1952	8,776	$161,433
1953	10,079	191,776
1954	7,430	145,415
1955	8,628	202,427
1956	7,239	172,834
1957	9,288	219,252

These products of British origin are largely noncompetitive with anything produced in the United States. The market therefor arises from consumer demand for distinctive traditional pieces for which no substitute is acceptable. The industry engaged in the manufacture of these products is an important one to the United Kingdom from a revenue, from an employment and from a prestige standpoint. Dollars earned by the exports of these products serve a necessary and important function in maintaining some balance of reciprocal trade between the United States and the United Kingdom. It is obvious that the free world has entered a crucial period in striving to maintain economic and political security. World trade is one of the main essentials in this endeavor. The proposed trade agreements extension bill is essential to world trade, and therefore essential to the United States, the United Kingdom, and the rest of the free world.

The Associated Representatives of Staffordshire Potters respectfully urge passage of the Trade Agreements Extension Act of 1958, H. R. 12591 in the form as passed by the House of Representatives.

STATEMENT OF DONALD R. WADLE, MANAGING DIRECTOR, METAL LATH MANUFACTURERS ASSOCIATION

This statement is submitted, on behalf of metal lath manufacturers who are members of the Metal Lath Manufacturers Association, in opposition to H. R. 12591, which contains a new, across-the-board, 5-year authority to the Executive to further reduce our tariffs.

Metal lath and metal plastering accessories are used to form a metal plaster base in internal wall and ceiling construction, both in new and remodeled buildings. Industry products provide a reinforcement and mechanical key for plaster, serve as a base for stucco, and as concrete slab reinforcement.

Such products, although marketed and used on the job together, fall into three groups tariffwise (i. e., cold-rolled channels; prefabricated metal studs; and metal lath and other accessories), with widely varying tariff rates applicable to each.

Our deep concern over the proposed new sweeping powers in H. R. 12591 to negotiate tariff concessions can be graphically illustrated by the following:

	1930 rate	Present reduced rate	Probable under H. R. 12591	Reduction from 1930 rate
				Percent
Cold-rolled channels	0.2 cent per pound (par. 312).	0.1 cent per pound	Free [1]	100.0
Prefabricated metal studs	20 percent ad valorem (par. 312).	7½ percent ad valorem.	5½ percent ad valorem.[2]	72½
Metal lath and other accessories.	45 percent ad valorem (par. 397).	19 percent ad valorem.	15 percent ad valorem.[2]	66.6

[1] By 2 percent ad valorem reduction alternative.
[2] By 25 percent reduction alternative.

It will thus be seen that the direct effect of the proposed 2 percent ad valorem reduction alternative, 1 of 3 alternative reduction authorities in the bill, can be to wipe out all duty on cold-rolled channels and make it a free-list item, i. e., a 100 percent reduction. This result follows because the present reduced specific duty of one-tenth cent per pound is an ad valorem equivalent on such imported channel of less than 2 percent.

Such a result is particularly anomalous in view of the fact that the industry has raised in good faith with the United States Tariff Commission, in its current tariff-simplification study, pursuant to the Customs Simplification Act of 1956, the present anomalous tariff classification of cold-rolled channels in which the present reduced duty (i. e., 0.1 cent per pound) on a finished manufacture or article of commerce is the equivalent of less than one-tenth the duty (12½ percent ad valorem) upon the raw material from which that article is made; i. e., strip steel. Yet by the proposed 5-year extension, Congress will have foreclosed itself from objectively considering the Tariff Commission's recommendations on that matter that are due next January.

The same 2 percent ad valorem reduction alternative can reduce the 7½ percent ad valorem duty on prefabricated metal studs to 5½ percent ad valorem, which is a 28½-percent reduction, and similarly preclude congressional consideration of a Tariff Commission recommendation as to the anomalous tariff classification of such metal studs, which illogically is just 60 percent as much as the duty (12½ percent ad valorem) imposed upon the raw material from which most such metal studs are made.

By what logic is the Executive to be given the novel and unprecedented authority to reduce all existing rates by 2 percent ad valorem? Such an alternative will quite obviously apply differently, and inequitably, to various domestic industries, because a 2-percent ad valorem reduction in a 2-percent ad valorem rate is a 100-percent reduction, and on a 50-percent ad valorem rate is only a 5-percent reduction. Can it possibly be assumed that the effect of completely wiping out a tariff rate is no different than reducing one from 50 percent ad valorem to 48 percent ad valorem?

By what reasoning is the Executive to be given the broad power to reduce the present reduced rates by 25 percent? With as much or as little factual foundation that figure could as well be 10 percent or 35 percent.

Such figures, presumably pulled "from the blue," suggest that by the enactment of H. R. 12591 Congress would in effect be abrogating its constitutional powers over tariff matters to the Executive for a 5-year period, and beyond that for the duration of the trade agreements negotiated during that period.

Can it be otherwise? There are no channelizing standards for the Executive to follow in the exercise of the proposed powers. He is not enjoined in any way as to how such powers are to be exercised. He can recognize or ignore, as he wishes, such considerations as national security, reductions heretofore made, whether the domestic industry is affected by or peculiarly sensitive to imports, relative wage rates and production costs, and the like.

Under H. R. 12591, the Executive alone would have the power to destroy or harm the domestic industries affected by imports, for the escape clause would not and cannot be a substitute for policy benchmarks on the Executive's exercise of such powers. Where Congress can now exercise its constitutional tariff powers by a majority vote, the bill would seek to require a two-thirds

vote to override the Executive when he chooses to ignore the Tariff Commission's escape-clause recommendations.

Moreover, the present ineffectiveness of the escape clause can hardly be cured by the proposed authority to restore tariff concessions back to the level of 1934 rates, or by the highly questionable power of the Executive to fix tariff rates on free-list commodities, especially where the Executive retains power to ignore or follow escape-clause recommendations as he chooses. We recognize the effort in H. R. 12591 to balance the needs and interests of all sectors of our economy and that the Congress should have a voice in escape-clause matters, although we do not believe that congressional supervision should be by a two-thirds vote.

While under the trade-agreements program perhaps rates should be reduced in furtherance of foreign-policy objectives, the preventive and remedial safeguards within the law to prevent injury to domestic producers and to furnish redress if injury results should be strengthened. Otherwise stated, the "injury" test, and not a "foreign relations" test, should govern such redress.

We believe that the proposed unprecedented 5-year extension, which in effect would be 10 as to trade agreements negotiated near the end of the 5-year period, is far longer than is necessary or desirable. Such a term could bridge 2 future presidential terms and 5 new Congresses. We believe it imprudent to commit this country's trade policies that far in advance. While stability and preparation to cope with the European Economic Community are desirable, the needs to revise our antiquated tariff classifications next Congress and to repair procedural defects that appear, which suggest a much shorter extension, are far more compelling.

For these reasons, the domestic metal-lath producers respectfuly urge that H. R. 12591 be amended to provide for a short extension so as to permit the Congress to review again the results of the trade-agreements authority in a year or two. The Executive, in the meantime, can utilize the unused authority to negotiate trade agreements contained in the last extension act.

WINE INSTITUTE,
San Francisco, July 1, 1958.

Re H. R. 12591.

Hon. HARRY FLOOD BYRD,
Chairman, Committee on Finance, Senate Office Building,
Washington, D. C.

DEAR SENATOR BYRD: This statement, in opposition to several features of the above bill, is submitted on behalf of the winegrowers of California and also on behalf of wine growers of other States similarly situated.

The United States wine industry, an agricultural industry important to the economies of many States, is peculiarly susceptible to import competition during recurring periods of grape surpluses both abroad and here. These periods of surpluses have occurred in the past and will occur again in the future. It is therefore of paramount importance to us that the laws of the United States provide clear procedures, and fair solutions, to take care of the problem of importation of wine into the United States market in excessive quantities at unduly low prices during periods when agricultural surpluses, in the form of wine, occur from time to time both here and abroad.

I

We have never opposed extension of the Reciprocal Trade Agreements Act as such. We have always opposed, however, the present framing of the act which permits the executive branch to disregard injury findings of the Tariff Commission either (i) because its judgment is formed on a different set of facts from that presented to the Tariff Commission in the formal record of an escape clause hearing, or (ii) because of reasons of domestic economic policy, or of foreign policy, which are formulated solely within the executive branch, without benefit of statute, and with the executive branch as the sole arbiter in the matter.

We respectfully submit to the committee that any findings of injury in escape-clause cases by the Tariff Commission should be given full weight, and that such findings should be put into legal effect, with the proviso that new procedures be so arranged by statute that the executive branch (if it feels the findings of the Tariff Commission should not be put into effect) must then go to the Congress with pertinent facts to support their reasoning, and that final judgment in such

matters be made by the Congress only and not by any other branch of the Government.

H. R. 12591 pays only lipservice to the idea that Congress should be the final arbiter in such cases.

This bill proposes that the findings of the Tariff Commission on injury in escape-clause cases shall have no weight whatsoever against a contrary decision of the executive branch unless two-thirds of each House of the Congress shall affirmatively support the Tariff Commission and overrule the executive branch. We respectfully submit that such a procedure is a travesty on the legislative process and has no place in the statutes of the United States. Even today the powers exercised by executive branch in matters of economic policy in the foreign-trade field are clearly "delegation run riot." The proposed two-thirds provision of the House bill must be construed as an attempt, not only to confirm this situation, but also to make its correction impossible.

We therefore submit that it is absolutely essential that this provision be stricken from the bill by the committee and that there be substituted a provision which will make certain (i) that any disparity between Tariff Commission findings on injury and a contrary opinion of the executive branch be formally brought before the Congress on its merits, and (ii) that a final congressional judgment be then made in accordance with normal legislative procedures.

II

Our second objection to H. R. 12591, as sent over by the House, is that it proposes a 5-year period of further tariff cutting by the executive branch up to as much as 25 percent off present rates. We respectfully submit that this is too long a time and too great an amount. From the testimony of many industries before you it must be clear that any further tariff cutting will enter into an extremely sensitive area for American businesses engaged in producing for the home market. It must be obvious that a "blank check" in this sensitive area is going to cause much trouble and disturbance in addition to what has already arisen.

Further, the length of time involved is going to mean that there will be a postponement by the Congress of consideration of permanent foreign-trade legislation as a substitute for many features of the, in our opinion, already outmoded Trade Agreements Act. We respectfully submit that it is highly desirable for Congress to consider new and permanent foreign-trade legislation within a relatively short time. For this reason we feel that the extension of 5 years proposed in H. R. 12591 should be materially reduced.

III

We believe it to be most important, and most urgent, that the committee give full consideration to the two principal points above discussed. We are most hopeful the committee will recommend and report to the Senate suitable amendments on these points.

Sincerely yours,

DON W. MCCOLLY, *President.*

(Whereupon, at 12:45 p. m., the committee adjourned to reconvene at 10 a. m., Wednesday, July 2, 1958.)

TRADE AGREEMENTS ACT EXTENSION

WEDNESDAY, JULY 2, 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, Frear, Long, Douglas, Martin, Williams, Flanders, Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

Herbert Lovin, Office of International Trade, Department of State.

The CHAIRMAN. The committee will come to order.

We are very much honored this morning to have with us the distinguished Senator from Connecticut, Mr. Purtell. We are very glad to have you, sir.

STATEMENT OF HON. WILLIAM A. PURTELL, UNITED STATES SENATOR FROM THE STATE OF CONNECTICUT

Senator PURTELL. Mr. Chairman and members of the committee, I appreciate very much the opportunity I have here of appearing before your committee to testify for just a few minutes on what is very vital to our State and I think to the Nation.

I do not appear here to urge the destruction of the trade-agreements program. I support the program of President Eisenhower, which, I understand, is essentially the program that has been sponsored by all chief executives since the Reciprocal Trade Act was enacted in 1934.

This program has always been declared to be the joining with other friendly countries to mutually reduce trade barriers to the fullest extent that this can be done without seriously injurying domestic industries.

The peril-point and escape-clause provisions of the trade-agreements legislation implement the declared purpose of avoiding serious injury to domestic industries in carrying out the trade-agreements program. These provisions, which this administration has embraced, are woven into the fabric of the trade-agreements formula for the regulation of imports into the United States.

It is self-evident that but for these safeguarding provisions no extension of the trade-agreements legislation would have been approved by Congress in 1951 or 1955, and that without them the administration's bill would have not the slightest chance of passage in this Congress.

Now the peril-point and escape-clause provisions may be described by some as protectionist provisions. Protectionism is not necessarily a naughty word, nor does it necessarily imply high tariff walls. I do not favor high tariff walls. But protectionism was an ingredient of the trade-agreements formula since its inception. The peril-point and escape-clause provisions merely implement the assertions of President Roosevelt and each of his successors in office that in the administration of the Trade Agreements Act serious injury to domestic industries would be avoided.

What we have been telling the world since 1934 is that we will forego the revenue—but not the protective aspects of our laws, if they will do the same and no more.

H. R. 12591 retains the escape-clause provisions and strengthens them somewhat. I am not advocating any amendment that will deny the President the discretion that the bill extends to him in the administration of the escape-clause provisions. But I do want to make a plea for the utilization of the escape-clause remedy when the facts justify its use.

After all, our trade agreements contain escape clauses which can be invoked whenever it is justified. Their presence in the agreements constitutes consent to their use whenever a case is established. Why, then, should there be such reluctance on the part of those administering the trade-agreements legislation to use the quotas.

One of the remedies permitted under the escape clause is the imposition of a quota. Mind you, a quota is a legitimate remedy under our trade-agreement escape clauses, so that there is no question of violation of our international obligations in the imposition of quotas under the escape-clause procedure.

A former Democratic chairman of the United States Tariff Commission (Oscar B. Ryder), who certainly cannot be classed as a protectionist, had this to say about the escape clause when he testified before this committee in 1947:

> The escape clause and the procedures established by it, together, provide what it is very important to have amid the uncertainties of the postwar transition period, a flexible instrument for prompt and adequate action to prevent injury from an unexpectedly large and excessive increase in imports. And what is just as important to the maintenance of the trade-agreements program, by this provision it will be possible for the United States to take such safeguarding action with the minimum of risk of causing the other country party to the agreement to terminate the agreement, in whole or in part, as it of necessity is given the right to do in case of such action.
>
> The authority to impose quotas is important in this connection—

and I am still quoting Mr. Ryder.

> In temporary emergency situations, such as may arise in the transition period, quotas are probably the most effective method of import control. They may be set at such a figure as to prevent serious injury to producing interests and at the same time to permit a sufficient volume of imports to satisfy the exporting country.

The chairman then interrupted and asked:

> Will the provision for quotas be included in the future trade agreements?

Mr. Ryder replied:

> The safeguarding clause permits quota action.

Yet, despite the fact that the use of quotas as a remedial measure in escape-clause cases is internationally approved and the fact that

the United States Congress has given its consent to the use of quotas in "escape" actions, this and previous administrations have practically closed the door to the use of this remedy.

In a recent "escape" action on clothespins the Tariff Commission found that a maximum permissible increase in duty was not adequate to remedy the serious injury suffered by the domestic clothespin industry because of excessive imports and recommended a quota as the only adequate remedy.

The President rejected the quota recommendation and increased the duty instead.

Subsequent developments have proved the Tariff Commission to have been right. The increased duty has not been effective and the domestic industry is little better off now than it was before, and I have with me, Mr. Chairman, a letter indicating that—written June 25, by the Clothespin Manufacturers Association, indicating exactly that.

I recognize that the employment of quotas as a normal method of regulating imports may not be desirable, and I am not suggesting such a policy be put into effect in all cases.

But the adjustment of imports by the escape-clause procedure is not our normal method for regulating imports; it is a procedure for an emergency type of action to correct unintended results of trade-agreement concessions, namely, serious injuty to domestic industries.

I see no reason why the quota remedy should not be used in escape-clause actions when the need therefor is shown. Such use violates no international obligation of the United States and their use by the President is authorized by law.

I urge that the sense of Congress that quotas should be used when necessary to remedy serious injury should be expressly stated in the extension legislation presently before this body. This rule should apply to manufactured products and raw materials just as the administration now invokes quotas for agricultural products to protect the programs of Commodity Credit Corporation under section 22.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much.

We are glad to have you before the committee.

The CHAIRMAN. We have with us also the distinguished Senator from South Carolina, Senator Thurmond.

STATEMENT OF HON. STROM THURMOND, UNITED STATES SENATOR FROM THE STATE OF SOUTH CAROLINA

Senator THURMOND. Mr. Chairman, I believe I can see all right here and my voice will carry, if it suits you, unless you want me to go over there.

The CHAIRMAN. As you please, sir.

Senator THURMOND. Mr. Chairman and members of the Finance Committee: I appreciate your courtesy in permitting me to testify today in favor of my proposed amendments to H. R. 12591, the trade agreements extension bill. I shall try to be as brief as possible in explaining my amendments, and then I shall offer for the record two statements from South Carolinians who have been grievously affected by our present trade policies.

Since its very inception, the trade agreements program has been tagged as "reciprocal."

Indeed, its author, Cordell Hull, so envisioned it, yet in the 10 previous extensions of the act we have marched steadily in the direction of lowering our Nation's tariff barriers with very little "reciprocity" on the part of the nations with which we do business.

The credit, exchange, licensing, and the myriad of other hindrances to free trade invoked against us by foreign governments is an old story to this committee.

My amendments to H. R. 12591, which I have introduced in the Senate and which I formally present to the committee today, are, I believe, a strong step toward the goal of fairness to all. For those of our citizens interested in freer trade, they do not affect most of the provisions of the House bill. For import-affected domestic industries and employees, they offer a portion of the safeguards to which they are entitled.

I am sure that most of you gentlemen are aware that I favor full and proper safeguards to protect our domestic industries, our war mobilization base, and the jobs of the millions of working people and their families.

It is my opinion that these safeguards can best be provided by a system of select legislative quotas. I am, however, enough of a realist to know that legislative quotas cannot be enacted at this session of the Congress.

I am, therefore, proposing a more than reasonable approach to make it possible to continue an effective and efficient trade program with a few amendments that will give our domestic industries and their employees a fighting chance to survive. I feel certain that you gentlemen will agree with me, after hearing the explanation of my amendments, that they are very reasonable.

My 3 amendments to the bill would accomplish 2 major purposes: first, to extend the trade program for 2 years instead of 5, thereby providing the President with the power to reduce tariffs by 5 percent each year, or a total of 10 percent, instead of 25 percent; and second, to return to the Congress a portion of its full power to regulate commerce, as authorized in article I, section 8, of the Constitution.

I feel that 2 years is the maximum period that the act should be extended, for several reasons.

First, there is no precedent for a Presidential request to extend the act for 5 years. In 10 previous extensions, none has covered more than 3 years. In postwar years, the trend has been toward 1- and 2-year extensions.

Secondly, the Tariff Commission's Report and Recommendation of Reclassification under the Customs Simplication Act of 1954 will be filed with Congress on January 1, 1959.

Congress will act on this report at the next session, approving or modifying recommendations by the Tariff Commission. These will then be the statutory tariff classifications and rates. This will require adjustments and reconsiderations of actions taken under the Trade Agreements Act; thus the only safe and logical procedure requires that the Trade Agreements Act be reviewed at the time the reclassifications are under consideration.

Next, the administration has indicated that no agreements will be negotiated until the course of the European Customs and Trade Union is clearly determined, so our trade relations will not suffer by the extension for only 2 years.

As my fourth point, I would like to suggest that we not extend this program into the next administration—regardless of whether it be Democratic or Republican—but that we reappraise it after a 2-year e...nsion. There is ample reason for this limitation. World conditions are subject to rapid change.

In recent years, we have come to expect sudden upheavals in political and economic structures. We have learned that a policy considered sensible today may be outdated and ineffective tomorrow.

Hence, Congress must act to encourage frequent review of our foreign trade policy, and it should not seek to tie the hands of a new administration on such a controversial program.

Next, I believe we should reappraise our trade policy in the next 2 years in order to permit early evaluation of the switch in imports from raw and partly processed materials to more finished goods. This trend can have serious repercussions on our economy and on employment.

As my sixth and final reason, I would point out that the Congress just recently extended the Export Control Act for 2 years. Why should not we also limit the extension of the Trade Agreements Act to this same period of time?

The second major purpose of my amendments is of the utmost importance, not only to our domestic industries and their employees, but also the Congress itself.

As I have already stated, it would restore to the Congress some of its power to regulate foreign commerce, as provided in the Constitution.

My proposal would require that the President obtain the support of a majority of both Houses of Congress before he could be sustained in his refusal to implement a Tariff Commission escape clause finding.

The President would be given 90 days within which to gain approval through passage of a concurrent resolution of the two Houses of Congress. These resolutions would be regarded as privileged matter in order to insure that the Congress would definitely act within the 90-day period.

If the President submits his report to the Congress when the Congress is not in session, or less than 90 days before the adjournment of the Congress sine die, and no action is taken by the Congress prior to adjournment, then the decision of the President would stand provisionally until 90 days after the Congress reconvenes.

If he is not sustained within 90 days after Congress reconvenes, than the Tariff Commission finding would become final.

Mr. Chairman, there is not a thing unreasonable about this proposal. If the President has any case at all for vetoing a Tariff Commission finding, then he could easily obtain a majority vote in both Houses.

It might be noted that in recent years the President has vetoed approximately two-thirds of the Commission's recommendations for relief.

I assume, Mr. Chairman, that no one questions the right of Congress, under the Constitution, to regulate foreign commerce. Furthermore, it is evident that the need for returning to Congress a portion of this power has been clearly established to the satisfaction of the House.

Otherwise, the Ways and Means Committee would not have proposed that the Congress reenter the trade picture.

I am glad that the Ways and Means Committee, and also the House recognized this need, but I am also alarmed at the unreasonable approach which they took in placing the burden of obtaining a two-thirds vote of the Congress on a single industry to override the President's veto of a Commission escape clause finding.

To pretend that this would bring any relief at all to an industry found by the Commission to be injured by foreign imports or other aspects of our trade program would be a sheer delusion of the most grandiose nature.

Congressmen and Senators are only too aware of the difficulty of obtaining a two-thirds vote in both Houses on most any issue. To say that a small domestic industry with limited resources and few plants in few States—or for that matter any single American industry, no matter what its size—could obtain the necessary two-thirds majority vote in both Houses is ridiculous.

The amendment I am offering as a substitute for this provision in the House bill is a reasonable approach. I repeat, that if the President has any case at all for vetoing a Commission finding of relief for a domestic industry, then the President will have no trouble in winning a simple majority vote in both Houses to sustain his action.

By making the concurrent resolutions in each House privileged matter, the President would be assured of a vote within the 90-day period.

I am not asking that you give American industry and American workers anything but a small parcel of what they are due—that is, that the Congress shall reenter the field of regulating foreign commerce, not to the full extent demanded by the Constitution, but just partially.

In other words—as I stated previously—give them a fighting chance to continue to exist. I do not believe that this is asking too much.

I have here with me today two statements from representatives of two of South Carolina's most vital industries, the textile and plywood-veneer industries.

One gentleman, Mr. Walter A. Stilley, Jr., the president of Stilley Plywood Co., in Conway, S. C., is here in the committee room today. He has already talked to several committee members, explaining his present plight as a result of low-wage foreign imports which today account for 52 percent of our domestic plywood market.

Unless Congress acts to provide some way of giving Mr. Stilley and his employees a chance of competing on some equitable basis with Japanese labor costs that run about one-tenth of his, then he will be forced to follow countless others and give up his business and put more Americans out of work.

He is a man who could have walked away with pockets full of insurance money after his plant burned to the ground in 1955. Instead, he put his trust in the President's promise that he would not let any American industry go under as a result of his trade policies.

Mr. Stilley is not guilty of exercising bad business judgment, Mr. Chairman; he merely put his faith in the President's word, and in his country. Now, he stands to lose everything, unless Congress amends this bill to provide some small safeguards.

The other statement which I have comes from Mr. William J. Roddey, Jr., the president of Victoria Cotton Mill in Rock Hill, S. C. Mr. Roddey's mill, which was organized in 1898 and has provided employment for 250 families for these many years, was forced to close its doors a few weeks ago.

Mr. Roddey states that he had to quit as a result of the terrific competition which he has been receiving from low-wage Japanese gingham imports. He states further that the carded gingham industry has now been effectively destroyed in America, and expresses the hope that the Congress will not permit the same fate to befall the entire textile industry.

We have already dallied too long to save many plants and jobs in the textile industry. Since World War II employment in this vital industry has declined by 345,000 jobs, and more than 700 mills have shut down. I do not know how this industry can stand much more.

Textiles, plywood and veneer are not the only American industries that are in peril today. I am sure that the committee has also heard testimony from representatives of the following industries that have been seriously affected by foreign competition: Appliances, cameras, ceramics, chemicals, metals, machinery, machine and hand tools, tuna, and many other industries that provide numerous jobs in America.

I ask permission, Mr. Chairman, to have both of these statements placed in the record of these hearings at the conclusion of my remarks.

The CHAIRMAN. Without objection it may be done.

Senator THURMOND. In closing, Mr. Chairman, I again thank you for permitting me to present these amendments and these statements for your earnest consideration. If this committee should act to adopt these very reasonable amendments, then I am confident that they will be approved by the Senate and the conference committee.

Once these amendments are approved by the Congress, some vital segments of American industry will have at least a chance to survive; our war mobilization base will thereby be given some added strength; unemployed Americans can have some hope of returning to work; and employed American workers and their families can sleep at night knowing that their country is for them and not against them in that they will stand a reasonable chance of continuing on their jobs.

Thank you.

(The letters referred to and amendments to H. R. 12591 proposed by Senator Thurmond are as follows:)

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

AMENDMENTS Intended to be proposed by Mr. THURMOND to the bill (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, viz:

On page 1, line 9, strike out "1963" and insert in lieu thereof "1960".

On page 9, beginning with line 11, strike out through line 16, on page 10, and insert in lieu thereof the following:

"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 to read as follows:

"'(c) (1) Within thirty days after receipt of the Tariff Commission's recommendations, the President shall proclaim such adjustments in the rate or rates

of duty, impose such quotas, or make such other modifications as are recommended by the Commission to be necessary to prevent or remedy serious injury to the respective domestic industry, unless, prior to the expiration of such thirty days, the President shall have submitted a report to the Congress recommending that no such adjustments or modifications be made, or no such quotas be imposed, or recommending a rate of duty as an alternate to that recommended by the Tariff Commission, or recommending a quota as an alternate to that recommended by the Tariff Commission, or recommending a rate of duty as an alternate to a quota recommended by the Tariff Commission, or recommending a quota as an alternate to a rate of duty recommended by the Tariff Commission, as a means of preventing or remedying serious injury to the respective domestic industry, be adopted. If either the Senate or the House of Representatives, or both, are not in session at the time of such submission, such report shall be filed with the Secretary of the Senate or the Clerk of the House of Representatives, or both, as the case may be.

"'(2) If the President submits his report to the Congress while the Congress is in session and more than ninety days before the date on which the Congress adjourns sine die, he shall, within ninety days after the submission of such report, proclaim such adjustments, quotas, or other modifications as have been recommended by the Commission, unless, prior to the expiration of such ninety days, both Houses of Congress shall have adopted a concurrent resolution stating in effect that the Senate and House of Representatives approve the recommendations made by the President, in which event the President shall proclaim the recommendations so approved. If the President submits his report—

"'(A) when the Congress is not in session, or

"'(B) less than ninety days before the adjournment of the Congress sine die and the Congress before such adjournment has not acted on a concurrent resolution approving the recommendations made by the President,

the adjustments in the rate or rates, quotas, or other modifications specified in the recommendations of the Commission shall become finally effective ninety days after the date on which the next session of the Congress begins, unless during such ninety-day period the Congress, by concurrent resolution, shall have approved the President's recommendations.'"

On page 11, strike out lines 8 to 24, inclusive, and insert in lieu thereof the following:

"(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 recommended by the President in his report (dated 19) pursuant to paragraph (1) of section 7 (c) of the Trade Agreements Extension Act of 1951, as amended, disapproving in whole or in part the action 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 10 on its escape clause investigation numbered under the provisions of section 7 of such Act'."

VICTORIA COTTON MILL,
Rock Hill, S. C., June 26, 1958.

Senator STROM THURMOND,
Senate Office Building,
Washington, D. C.

DEAR STROM: I was sorry to learn that the rules of the Finance Committee of the Senate did not allow me to appear in person and testify as to what is happening to our branch of the textile industry. Since it is not permissible to appear in person, I would be glad for you to use any part of this letter you see fit to help the committee understand what is happening to us.

The Victoria Cotton Mill was organized by my grandfather, W. L. Roddey, and others in 1898. It was organized to manufacture colored goods, primarily ginghams, and has operated continually on this type of fabric ever since. We had one man who worked here continuously for over 54 years and quite a number who were here for over 40 years. Like most colored goods mills the Victoria Cotton Mill has had its ups and downs but has always felt that it could compete with any other American mill in its class, both as to merchandise quality and price. About 25 years ago there was a style trend away from ginghams and the quantity used dropped very appreciably. This was only a temporary period and

we were able to make other colored goods to carry us through. Since that time, largely influenced by styling and advertising, ginghams have become very popular and are used in a great many different ways.

After Japan surrendered our Government spent a lot of time, money, and effort to build up the Japanese textile industry. At one time I was shown Japanese ginghams which were brought to this country and displayed for sale by our Government. After the war the Japanese gingham business was built up from year to year, so that by 1955 they were able to flood this country with goods and seriously impair our markets. When the reductions in tariff were authorized by Congress the escape clause was put into the law to take care of such situations. Our industry, therefore, appealed to have the escape clause put into effect. This, of course, took a great deal of time to gather all of the information and to present it to the Government through hearings, etc. In the meantime we in the carded gingham industry saw most of our customers and our market taken over by the influx of foreign goods with which we had no earthly chance to compete. We drastically curtailed production and tried to tide the situation over in the expectation that our Government certainly would not sit idly by and see us all destroyed. After many months of waiting our Government finally came up with the voluntary Japanese quota system. Even if this system had been strictly adhered to, it still permitted a tremendously large amount of carded gingham to be shipped into this country. After this quota agreement was published we did have a customer come to us who felt that he would probably have trouble in getting goods needed over and above the quotas.

With the realization that we could continue our people working and probably be able to work out something better later on, we accepted a large order below cost, started to work on it and began to spend money improving the plant and equipment. When it came time for taking on new orders our customer told us that he not only would not pay any increase in price but could buy imported goods considerably cheaper. Our investigations have convinced us that imported goods are still flooding the country in carded ginghams and at prices much below our cost of production, even if we had the most modernly equipped plant. We believe imported goods are absolutely controlling the market and American production has been so reduced that it has practically no influence in setting prices. Under present conditions, it is simply do you want to meet the price of imported goods or do you want to pass up the business? We don't have the ghost of a chance of competing with goods made from cheap foreign labor and world priced cotton so there is no other alternative that we can find but to close up shop.

How can you expect American industry to compete when imported goods are made from cheaper raw materials, with labor costing one-tenth to one-half the cost of American labor, and with American know-how on modern equipment? Upon this basis foreign imports can destroy our industries one by one or in any manner they choose, whenever it suits their pleasure.

All of us recognize that a large volume of world trade on an equitable basis is not only desirable but almost a necessity under present world conditions. On the other hand, there are few countries in the world which do not recognize that their industries can be destroyed by a large volume of foreign imports and have attempted to protect themselves by passing antidumping legislation. Our Government too has at least recognized this danger on paper but to date has refused to take any effective steps to protect the textile industry. The carded gingham industry has already been destroyed. I certainly hope that something will be done to prevent it before the whole textile industry is destroyed.

These sudden changes are the cause of heavy financial loss to investors in industry but the greatest loss must be borne by the workers in the industry. In full operation the Victoria Cotton Mill employed about 250 workers. Being an old-established concern the average age of its employees is higher than the average for the industry and many of them have never worked any where else in their lives. It is, indeed, a source of deepest regret that we can no longer work with and for these faithful and loyal people in earning their livelihood.

Senator, we feel that you are waging a very worthwhile fight and if there is anything in the world that I can do to help, please feel free to call upon me.

Sincerely,

W. J. RODDEY, Jr., *President.*

STATEMENT OF WALTER A. STILLEY, JR., PRESIDENT, STILLEY PLYWOOD CO., INC., CONWAY, S. C.

My name is W. A. Stilley, Jr., president, of the Stilley Plywood Co., Inc., of Conway, S. C.

I have been in the plywood business since 1920 and during this time have been connected only with two companies. In all these years, good times and bad, with the exception of the last 2½ years, we were able to meet any and all competition and show a reasonable profit. The Stilley Plywood Co. was built by my father and myself in 1931 with a paid in capital of $75,000. From a competitive standpoint, competition in those days was not exactly a bed of roses but we did not have Japanese competition. We started in the depths of the depression and were successful.

In May 1955 our plant was destroyed by fire. We were not fully insured but were fairly well covered. We had a substantial cash reserve and all of our receivables were good. I could have retired and lived well had I liquidated the business at that time. I finally decided to rebuild, not for monetary considerations, but because I felt an obligation to the people who worked for us, to the community, and because I loved my work. In view of the Japanese plywood competition, I hesitated to rebuild. I was advised by many not to rebuild. I finally decided to rebuild because I had faith in my country.

The President, in a letter to House Minority Leader Joseph W. Martin, advised Congress that no American industry would be placed in jeopardy through his administration of the Reciprocal Trade Act. I thought the President was telling the truth. I could not believe than any American President would follow a policy that would destroy a single whole American industry, large or small. I thought the escape clause was included in the act for a purpose. I never dreamed Congress would permit a whole American industry to be destroyed.

At the time of our fire, our paid in capital stock was $200,000. Our fiscal year runs from September 1 to August 31. During our 1955–56 fiscal year, we increased our capital stock to $480,000. During our fiscal year of 1956–57 we increased our capital stock to $730,000. We increased efficiency, produced more plywood per man-hour, but fewer dollars per man-hour due to foreign competition.

Our sales, profit and loss figures prove my point. Beginning with our fiscal year 1950, through 1953, my company made reasonable profits. Our best year was 1951, when our net sales were $1,510,075; our net profit was $237,330; and percentage of labor costs of sales was 26 percent, and profits on sales 15.6 percent. From 1951 through 1953, we still had profits, but they were declining. In 1954 we showed a net loss of $11,573, on sales of $1,044,646—our percentage of labor costs to sales was up to 35 percent. This is the first year we were hurt by Japanese plywood invading our drawer bottom and other markets. Our prices were down due to the competition of the low-priced imports and costs were up. From that year on we have had net losses, climaxing in our fiscal year 1957 when our net loss was $160,250.

In that year, the percentage of labor costs to sales was 45 percent reflecting the lower prices we were required to accept for our product. Thus from a 15.6 percent profit to sales picture in 1951 we went to a net loss in 1957. In March 1956 the minimum wage under Federal statute went from $0.75 to $1, which compounded our difficulties. My most recent labor-cost figures are for May of this year when the percentage to sales rose to 52 percent, and our sales dropped to $73,000. Ordinarily in business as costs increase, prices increase, but this has not followed in my business. Despite the rise in our costs the price structure, as I will illustrate subsequently, has been depressed.

We have learned that we cannot overcome the Japanese wage scale of 11½ cents per hour as compared to our minimum legal required wage. Our minimum wage of $1 per hour plus 5¼-percent payroll taxes, plus an average liability insurance rate of 3 percent makes a total minimum of $1.08¼, which is a ratio of over 9 to 1 to Japan. In addition to this, the Japanese mills work 50 hours per week with no overtime. As you know, our overtime rate starts after 40 hours.

Labor is just part of the advantage that the Japanese have. They can construct a plant at far less than our cost. The supplies and other items going into the manufacture of plywood cost them less, and, of course, their fixed charges are far less than ours.

Our bread and meat business for many years has been drawer bottoms for the furniture industry. Since 1956, we have seen oak drawer bottoms go from $110

per thousand square feet f. o. b. our mill to $85 and mahogany drawer bottoms from $115 to $85. This is an average reduction of over 24 percent.

Since 1950 our labor has increased 33⅓ percent, the supplies and other items used in the manufacture of plywood has increased, but plywood has gone down in price. When 52 percent of domestic consumption of hardwood plywood is being supplied by imports and 80 percent of these imports coming from Japan, it is not possible for us to recover cost.

I have always favored a reasonable reciprocal trade policy, and I believe if our reciprocal trade policy had been administered as Cordell Hull originally intended for it to be, and as I believe you gentlemen wanted it to be administered, there would be no occasion for me to be making this plea before you today.

I think the State Department has prostituted the original intent of the reciprocal trade. I believe they have used the Trade Act as chips in a great international poker game. I think that most Americans know the State Department bets high, wide, and handsome, and seldom wins. The act of the State Department with reference to our Reciprocal Trade Act brings to my mind a statement made by the late Will Rogers: "America never lost a war, but they never won a conference."

If you gentlemen do not want to destroy some American industries, if you do not want to deprive Americans of the livelihood and property without due process of law, if you think the peril point means anything, you will find some way for the Congress to stand behind the Tariff Commission and the President. It is not fair for the President who is the State Department to be both judge and jury. I hope and pray you will find ways to be the final judge as provided by our constitution.

As a law abiding American, I feel that my welfare should be considered as well as the problems of the whole wide world. I feel that my industry has as much right to be considered as copper, lead, zinc, and oil industries. It has never been the American way to judge right from wrong by size of industry or individual.

Am I to be deprived of my property and livelihood because approximately 80 foreign countries say they will all go over to Russia unless we do everything they want done? If this is true, then we have lost our fight for the American way at home and abroad.

In America, we have not in the past deprived Americans of their livelihood and property without just compensation. If the House's bill passes without some changes, I will be deprived of my property and means of livelihood without any compensation. Such things are supposed to happen in Russia and not in America.

I know that Japan has the production capacity to supply all of this country's needs of hardwood plywood. Unless some restrictions are placed on them, they will open the floodgates. If the House's bill becomes law, I will be forced to close my plant. My employees will be out of work and what I have worked so hard to build up, will overnight become practically worthless.

The fact cannot be denied that I will be deprived of my livelihood and property through no fault of my own. I believe the Tariff Commission will grant my industry some relief and the State Department, through the President, will veto any relief granted. I believe the Congress will uphold any relief the Tariff Commission would grant my industry. I believe I can save my business if Congress finds some way to be the final judge between the Tariff Commission and the President.

Some of you might say that I showed poor business judgment in rebuilding our plant after our fire. I do not think I showed poor business judgment. My past record as a manufacturer should prove this. My only mistake so far is that I believed in America. I believed in our constitutional rights. I believed that any man who occupied the White House would not destroy any American industry, however small. If the man in the White House attempts to do so, I did not think the Congress would go along with such an outrageous thing.

In conclusion, I would like to state that I know now how a condemned man innocent of any wrongdoing feels when making a final plea for mercy.

The fate of my little business, all that I have in the world, the livelihood of my people rests in your hands.

I appreciate this opportunity to appear before you and tell you a story that could, with minor changes, be told by thousands of small American manufacturers.

The CHAIRMAN. Thank you very much, Senator Thurmond, for your statement. We will consider it carefully.

Senator THURMOND. Thank you very much, Mr. Chairman and gentlemen of the committee.

Senator KERR. May I ask a question, Mr. Chairman?

The CHAIRMAN. Yes, Senator.

Senator KERR. You refer to three amendments: One, make the extension 2 years instead of 5; second, to return to the Congress a portion of its full power to regulate commerce, which would change the provision, I believe of section 6——

Senator THURMOND. Yes.

Senator KERR. That would make the President's veto of the Tariff Commission recommendation effective if approved by a majority of the Congress instead of requiring two-thirds majority of both Houses to overrule his veto?

Senator THURMOND. Yes.

Senator KERR. What is the other amendment?

Senator THURMOND. Senator, there are three amendments to accomplish those 2 purposes.

Senator KERR. I see.

Senator THURMOND. There is just a technical matter in the word of the law.

Senator KERR. I see. It has two purposes and it takes 3 amendments to accomplish those 2 purposes.

Senator THURMOND. Yes, sir.

The CHAIRMAN. Thank you very much.

Senator THURMOND. Thank you very much, Mr. Chairman.

The CHAIRMAN. The next witness is Mr. C. J. Potter.

Please proceed.

STATEMENT OF C. J. POTTER, PRESIDENT, ROCHESTER & PITTSBURGH COAL CO., INDIANA, PA.

Mr. POTTER. Thank you, sir.

My name is C. J. Potter. I am president of the Rochester & Pittsburgh Coal Co., of Indiana, Pa.

I represent today National Coal Association, a trade organization of the bituminous-coal operators of the United States, and other industry groups.

As a member of the task force which served the President's Advisory Committee on Energy Supplies and Resources Policy, I have more than a passing interest in the subject matter before your committee today.

The primary interest of the coal industry in the Trade Agreements Extension Act of 1958 is an effort to have carried out the congressional intent which was so clearly defined by this committee and other Members of the Senate when the Trade Agreements Extension Act of 1955 was adopted.

I am not going to presume on this committee's time and patience, by elaborately recounting all of the facts pertaining to that historical background. However, I would like to ask at this time the permission of the chairman and the committee to have the document

which I have here, together with attachments and appendixes thereto, made a part of this record as my statement in full.

The CHAIRMAN. Without objection.

(The documents are as follows:)

STATEMENT ON BEHALF OF NATIONAL COAL ASSOCIATION BY C. J. POTTER

My name is C. J. Potter. I am president of the Rochester & Pittsburgh Coal Co., of Indiana, Pa. I consider it an honor and privilege to appear before your committee today on behalf of the National Coal Association, a trade organization of the bituminous coal operators of the United States.

In order that you may have some idea as to my qualifications as a witness in this matter, I call your attention to the fact that, during World War II, I acted as Deputy Solid Fuels Administrator and was responsible for the distribution of all bituminous coal throughout the United States. Concurrently, I served as chairman of the Combined Coal Committee which distributed coal throughout the world.

Pursuant to the Executive order of July 30, 1954, establishing the Presidential Advisory Committee on Energy Supplies and Resources Policy, I was named as a member of the task force of that Advisory Committee. The Director of the Office of Defense Mobilization served as Chairman of that Presidential Committee and other members included the Secretaries of the Departments of State, Treasury, Defense, Justice, the Interior, Commerce, and Labor.

I am sure that most, if not all, of the members of this committee are aware that the recommendation of the Presidential Advisory Committee on Energy Supplies and Resources Policy formed the basis for the recommendation made by this committee, which later was enacted into the Trade Agreements Extension Act of 1955, as section 7 or more familiarly known as the defense industry amendment.

The recommendation of the Committee to which I refer was as follows:

"The Committee believes that if the imports of crude and residual oils should exceed significantly the respective proportions that these imports of oils bore to the production of domestic crude oil in 1954, the domestic fuels situation could be so impaired as to endanger the orderly industrial growth which assures the military and civilian supplies and reserves that are necessary to the national defense.

* * * * * * *

"The Committee recommends, however, that if in the future the imports of crude oil and residual fuel oils exceed significantly the respective proportions that such imported oils bore to domestic production of crude oil in 1954, appropriate action should be taken."

I come before your committee today to ask that you complete the action which your committee took in recognizing the seriousness of the foreign oil import problem during your deliberations of the Trade Agreements Extension Act of 1955.

There has been no question, because of the excellent documentation of the intent of this committee, that in adopting section 7 of the 1955 act it was intended that that provision would take care of the oil import problem and would bring relief to the domestic industries, petroleum and coal, which were so seriously affected at that time and continue to be today. I refer you to the attached appendix X.

When the Trade Agreements Extension Act was discussed on the floor of the Senate on May 2, 3, and 4, 1955, positive statements were made that administrative assurances had been given that imports of foreign petroleum and petroleum products would be restricted to the 1954 ratio as recommended by the Presidential Advisory Committee on Energy Supplies and Resources Policy.

On March 9, 1955, National Coal was represented before your committee in support of an amendment which had been offered by the late Senator Neely to provide mandatory quota restrictions of 10 percent on oil imports. You will all recall that it was as a compromise to this proposal that section 7 was developed.

It was the feeling of the members of this committee at that time, as well as other Members of Congress, that an opportunity should be given to regulate oil imports through a so-called voluntary program. While the coal industry was not

jubilant over the remedy provided through section 7, we were hopeful that some benefits might be derived from the control methods provided in that section.

Pursuant to the provisions of that section, our industry participated in and submitted a formal statement in connection with the petition to ODM by the Independent Petroleum Association of America for effectuation of section 7 of the Trade Agreements Extension Act of 1955 with respect to petroleum imports. This was on October 22, 1956. Again, we urged that something be done immediately to relief the critical situation which was affecting the coal industry because of the increasing volume of petroleum imports, more particularly residual.

On March 6, 1957, before the Senate Judiciary Committee in hearings by the Antitrust and Monopoly Subcommittee, we again told the story of coal's plight because of increasing oil imports. Intermittently from 1955 until the present time, we have been in contact with Government agencies, specifically the Office of Defense Mobilization, the Department of Interior, and the Department of Commerce. In all instances we have tried to emphasize the need for action to restrict petroleum imports.

In 1955 a group of 27 Senators (and again 31 in 1956) in a joint letter urged that the ODM take immediate action. Individually, Members of the Senate and of the House have repeated the plea for relief.

When the Trade Agreements Extension Act of 1955 was being considered by the House Ways and Means Committee, I appeared as a witness for the coal industry on March 4, 1958. In my presentation, at that time, I urged support of a provision that imports of crude oil and petroleum products "in excess of the 1954 relationship of such imports to domestic petroleum demand shall be deemed to endanger national security and permissible imports of crude oil and petroleum products shall be limited to such relationship as indicated above."

Subsequent to that time, an amendment to the Trade Agreements Extension Act was offered by Congressman Ikard, of Texas. This amendment lost in the House Ways and Means Committee by a vote of 14 to 10.

It is my intention today, in appearing before you, to urge that this committee incorporate into the Trade Agreements Extension Act of 1958 a provision which would spell out the necessity for definitely restricting the volume of imports of crude petroleum and any product, derivative, or residue of crude petroleum in excess of the ratio in the year 1954 between such imports for consumption and domestic production.

In urging your committee to adopt such an amendment, we are only asking for the fulfillment of those assurances made in 1955 on the floor of the Senate and the carrying out of the specific recommendation of the Presidential Advisory Committee on which I served.

While at that time this committee was warranted in expecting some substantive benefits from the voluntary approach, nevertheless, such has not been the case.

Despite commendable effort on the part of those in Government charged with the voluntary control efforts, the volume of crude petroleum imports has not been adequately curtailed, and in the case of residual oil no attempt whatsoever has been made to bring the level of those imports to the 1954 ratio as was expected and recommended.

Aside from the administrative problems which the so-called voluntary program encountered, on June 21 a suit was filed in Federal court in the District of Columbia asking that a declaratory judgment that the Government's voluntary oil import is invalid, be issued. The suit results from actions by the administrator of the voluntary program in refusing to assign import allocations to the Eastern States Petroleum & Chemicals Corp. It is quite likely that regardless of the outcome of that instant litigation, subsequent efforts will be made by dissident importers to void the voluntary restrictive efforts. If steps are not taken now to firm up the control provisions of the Trade Act, before Congress can again consider this problem, there may not only be no mandatory controls but no voluntary program either.

In 1954, bituminous coal production was only 391,706,000 tons. The coal industry's position today is comparable to that of 1954 when the economic plight of our industry warranted special consideration from the Presidential Advisory Committee on Energy Supplies and Resources Policy.

That committee had to take into account, among other things, the defense needs which obviously would vary from time to time, as well as minimum peace-

time requirements of fuel which would permit, under many circumstances, the prosecution of a successful war. The committee quickly recognized and agreed that whenever coal production dropped below a sustained minimum of 500 million tons per year, the coal industry itself would be in trouble and the fuel requirements for the Nation would be in jeopardy.

In 1957 total production of bituminous coal was only 490 million and on the basis of 1958 production record to date predictions are that the annual production will be something more than 400 million tons.

In contrast, in 1954 imports of residual fuel oil amounted to 129,124,000 barrels. Under the Presidential Committee formula this was a ratio of 5.6; 1958 estimates will produce a ratio of 7.6.

Based on data from the United States Bureau of Mines, 1958 estimates of residual oil imports are placed at 182 million barrels. In coal equivalent tons, the 1954 volume equaled 30,987,000 tons and in 1958 will equal 43,680,000 tons, an increase over the 1954 level of approximately 13 million tons.

At the same time, imports of crude oil increased from 239,479,000 barrels in 1954 to 375 million barrels based on 1958 estimates. The 1954 ratio of imports to production was 10.3 and today is 15.6.

Further aggravating the situation is the residual oil produced from foreign crude which in 1954 amounted to 47,760,000 barrels, and in 1958 is estimated to be 75 million barrels. A complete analysis of this situation is contained in table A which is attached to this statement and which I ask be made part of the record of this proceeding.

One of the greatest threats to the welfare of the coal industry, resulting from the imports of residual fuel oil or "liquid coal," comes in the operation of the pricing policies on residual which wrought such havoc to the coal industry in the years 1949, 1953, and 1954. Table B shows the prices of residual fuel oil in New York Harbor for the years 1946–56, and the subsequent price changes by specific dates in the years 1957 and 1958 to date. Compared to this is the price of coal equivalent computed on the basis of 4.167 barrels of oil to 1 ton of coal. It will be noted between 1953 and 1957 the variation of the coal equivalent price of "liquid coal" was as great as the price of coal at the mine which runs between $5 and $6 per ton. To the f. o. b. mine price, transportation charges totaling more than $4 a ton must be added to reach the eastern seaboard. This means that whenever the suppliers of imported oil wanted to take our coal markets they did it by selling at a coal-equivalent price approximately $1 less per ton of coal, but when there was a world shortage of oil the delivered price was raised to almost $4 per ton higher than the coal equivalent.

Today the same major oil importing companies, through their pricing policies, threaten to wreak the same havoc on the coal industry that they did in the years 1949, 1953, and 1954. They are again offering fuel oil at less than coal parity prices and we know from past experience that if they are not able to get the business at parity they will continue to reduce the price to the point where they will be able to maintain their desired volume of shipments at the expense of coal.

In the April 25 New York edition of Platt's Oilgram, one of the petroleum industry's recognized and respected publications, there appeared an article entitled "Prices Are Whittled Down on New Contracts To Land Heavy Fuel on East Coast." A copy of this article is attached and labeled "Appendix Y."

It will be noted from this article that the buyer of residual or No. 6 oil is able to buy on a contract basis for fuel at 35 cents off the barge price which is the price shown on table B. This means that despite the posted price actual trades are made at prices 35 cents below this and, as the article points out, in some cases as much as 40 cents. By comparison with the figures shown on table B, this would mean that oil can be procured in the neighborhood of $2.20 a barrel which would have a coal equivalent price of $9.17. Also attached is a reproduction of an article which appeared in Petroleum Week, issue of May 16, 1958, in the regular column entitled "The Market Trend," marked "Appendix Z." This again points out the prices being quoted for No. 6 or bunker C fuel, which is the same as residual, at $2.25 and, as the article points out, in at least one rumored case, a 10-year contract was negotiated at 28.5 cents off the Gulf price which would mean that the contract price was less than $2 a barrel.

The effect of such pricing policy and the major importers' ability to make such wide price changes is almost catastrophic to the coal industry. Any attempts by the coal industry to meet these low prices cause it to sell below the cost of production or else maintain a price which will allow imported

residual oil whatever volume of business it chooses. Primarily, direct competition between coal and residual oil is confined to the eastern seaboard but while imported residual oil is marketed merely on the eastern seabord, coal is sold nationwide. Coal producers cannot charge their inland customers higher prices than they sell to customers on the eastern seaboard. The net effect is that the coal industry, when it makes an attempt to meet residual oil prices along the eastern seaboard; must go back to its other customers and reduce prices accordingly, thereby lowering the price structure of the coal industry throughout the United States. I would impress upon you that the profit margin on coal rarely exceeds 25 cents a ton.

Gentlemen, I again appeal to you on behalf of the coal industry for definite action which will restrict oil imports to the 1954 level. The coal industry, as well as the United States petroleum industry, felt encouraged as to the possibility of some relief in 1955, based upon the statements made on the floor of the Senate when the Trade Act was being considered. However, those assurances have not materialized and today we are again faced with a fight for survival of our very lives.

I sincerely trust that this committee, in its final deliberations, will recognize the seriousness of this problem just as it did in 1955 and that you will take steps to complete the program which you so ably inaugurated in 1955 by including in the Trade Agreements Extension Act of 1958 a provision that will "definitely require restriction of imports of crude petroleum and any product, derivative, or residue of crude petroleum" to the ratio in the year 1954 between such imports for consumption and domestic production.

Gentlemen, I appreciate the time and the attention which you have given to this presentation, and I again express the hope that the domestic petroleum and coal industries may look to this committee and to the Senate for help.

TABLE 2.—*United States domestic crude oil production and residual fuel oil produced from foreign crude oil, 1954–58*

[Oil in thousands of barrels; coal in thousands of tons]

Line	Item	1954	1955	1956	1957	Estimated, 1958
	Crude oil:					
1	Production	2,314,983	2,484,428	2,617,283	2,618,884	2,600,000
2	Imports (actual)	239,479	285,421	341,833	393,788	375,000
3	Imports at 1954 rate (1×0.103)	239,479	255,896	269,580	269,745	247,200
4	Excess actual imports over imports at 1954 ratio (2−3)		29,525	72,253	94,043	127,800
5	Ratio (percent) actual imports to production (2÷1)	10.3	11.5	13.1	13.9	15.6
	Residual fuel oil:					
6	Imports (actual)	129,124	152,035	162,869	173,201	182,000
7	Imports at 1954 rate (1×0.056)	129,124	139,128	146,568	146,658	134,400
8	Excess actual imports over imports at 1954 rate (6−7)		12,907	16,301	26,543	47,600
9	Ratio (percent) actual imports to crude production (6÷1)	5.6	6.1	6.2	6.6	7.6
	Coal equivalent: [1]					
10	Actual imports, line 6	30,987	36,485	39,065	41,566	43,677
11	Excess actual imports over 1954 rate, line 8		3,097	3,912	6,370	11,423
	Residual oil produced from foreign crude:					
12	Total production	47,760	56,677	66,290	71,722	75,000
13	Production from foreign crude at 1954 rate (1×0.021)	47,760	52,173	54,963	54,997	50,400
14	Excess actual production over production at 1954 rate (12−13)		4,504	13,327	16,725	24,600
15	Ratio (percent) actual production to total crude production (12÷1)	2.1	2.3	2.6	2.7	3.1
	Coal equivalent: [1]					
16	Actual production, line 12	11,461	13,601	16,366	17,214	17,999
17	Excess actual production over 1954 rate, line 14		1,081	3,196	4,016	5,904
	Total residual from foreign sources:					
18	Total imports and production from foreign crude (6+12)	176,884	208,712	231,159	244,923	257,000
19	Total imports and production from foreign crude at 1954 rate (7+13)	176,884	191,301	201,531	201,655	184,800
20	Total excess actual imports and production over 1954 rate (18−19)		17,411	29,628	43,278	72,200
	Coal equivalent: [1]					
21	Actual imports and production from foreign crude (10+16)	42,448	50,086	55,473	58,779	61,676
22	Excess actual imports and production over 1954 rate (11+17)		4,178	7,110	10,386	17,327
	Cumulative yearly totals:					
23	Actual imports and production, line 21	42,448	92,534	148,007	206,786	268,462
24	Excess actual over 1954 rate, line 22		4,178	11,288	21,674	38,001

[1] 4.167 barrels of oil to 1 ton of coal.

Source: Basic data from U. S. Bureau of Mines.

TABLE B.—*Prices of residual fuel oil, New York Harbor, and comparative price of coal equivalent, 1946–58*

Year	Average price, residual fuel oil New York Harbor (barrel) (1)	Average price, coal equivalent (ton) (2)	Year	Average price, residual fuel oil New York Harbor (barrel) (1)	Average price, coal equivalent (ton) (2)
1946	$1.76	$7.34	1957:		
1947	2.29	9.52	Jan. 1	$3.05	$12.71
1948	3.00	12.50	Jan. 21	3.30	13.75
1949	1.90	7.91	Apr. 29	3.20	13.33
1950	2.09	8.72	May 20	3.10	12.92
1951	2.32	9.68	July 22	3.05	12.71
1952	2.31	9.62	Aug. 19	2.95	12.29
1953	2.16	8.98	1958:		
1954	2.23	9.30	Jan. 27	2.75	11.46
1955	2 48	10.33	Feb. 26	2.65	11.04
1956	2.80	11.67	May 9	2.57	10.71

Source: Col. (1)—Platt's Oil Price Handbook and National Petroleum News; Col. (2), computed on basis 4.167 barrels of oil to 1 ton of coal.

APPENDIX X

EXCERPTS FROM SENATE FLOOR DISCUSSION ON H. R. 1—OIL IMPORT RESTRICTIONS MAY 2, 3 AND 4, 1955

May 2, 1955

Mr. DANIEL. I should like to ask the Senator a question before he passes to some other point.

The Senator stated that he had explained the amendment which was offered with reference to imports which might endanger the national security. In connection with the Director of the Office of Defense Mobilization bringing to the attention of the President dangers which might be caused, for example, by excessive oil imports, is it not true that the Director of the Office of Defense Mobilization has already reported, as a member of the President's Cabinet Committee on Essential Resources and Supplies, that any significant increase of oil imports above the ratio of 1954 would endanger the national security?

Mr. MILLIKIN. That is correct.

Mr. DANIEL. Under those circumstances, does the Senator from Colorado believe that by the terms of this amendment the Director of the Office of Defense Mobilization would have to make a new study? Or is it the Senator's opinion that the study which has already been made would be sufficient for the Director of the Office of Defense Mobilization as a basis for his opinion to the President that there would be danger to the national defense if future imports were greater than the ratio which existed between imports and market demand in 1954?

Mr. MILLIKIN. I have no opinion as to how the Director of the Office of Defense Mobilization might feel, or whether he would consider that he should plow the field again. But certainly a large start has been made on the subject in the studies which have already progressed.

Mr. DANIEL. I take it that is probably one reason why the committee embodied the report from the President's Cabinet Committee in its report on the bill.

Mr. MILLIKIN. That is correct. The significance of that decision was fully explained to the committee, and I think it has considerable cogency.

Mr. DANIEL. Does the Senator feel that there was sufficient evidence before the committee to indicate that an increase of imports over the 1954 ratio might endanger the national security?

Mr. MILLIKIN. That is my personal opinion. The judgment of the committee never focused on that question, but that is my personal judgment.

Mr. DANIEL. Does the Senator feel that action would be taken if over an extended period imports should be in excess of the ratio which existed in 1954?

Mr. MILLIKIN. I do; and while I do not propose to put a jinx on the processes we have recommended, if those processes do not work, I shall be among the first actively to support special measures.

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Mr. MILLIKIN. The amendment which the Senator from Texas and I have been discussing has been accepted by the administration. It has been approved by Senators from States where the production of items essential to the national security is large and important.

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May 3, 1955

Mr. CARLSON. The proposal I was supporting for specific treatment as to oil was made necessary because of lack of any effort to restrict the excessive importation of oil, coupled with the potential power to increase imports of oil to such an extent that they could destroy the domestic petroleum industry and render our country dependent on uncertain sources of oil to sustain our expanding economy as well as our security.

I now know that this situation is recognized in the highest places in our Government. The Senate Finance Committee, in approving H. R. 1, specifically recognized the problem and inserted in its report a portion of the report of the President's Advisory Committee on Energy Supplies and Resources which had been submitted by the White House. In addition, the committee added section 7 delegating to the President specific authority to act with relation to the restriction of imports of certain commodities, which I understand to include petroleum. Under this provision the Director of Defense Mobilization, when he has reason to believe that any article is being imported in such quantities as to threaten or impair the national security, may so advise the President. Then, if the President agrees, he may cause an investigation to be made and, if the investigation supports the findings of the Director, the President is required to take such action as he deems necessary to adjust the imports of such article to a level which will not threaten to impair the national security.

As a member of the Finance Committee, I supported this proposal as a substitute for various amendments providing limitations upon the importation of specific commodities, one of which amendments was the one which I had supported in regard to petroleum. I supported the proposal adopted by the committee because I was assured by those in the administration responsible for the administration of the trade-agreements program that if such amendments were adopted by the committee and by Congress action would immediately follow, and that imports of petroleum and its products would be definitely restricted.

I was further assured that such restriction would be based upon the study previously made, to which reference was made by the committee; that the basis of the limitation would be in accordance with the recommendation of that study. This study indicated the necessity of limiting imports of petroleum and its products to an amount and in the relative position of the imports of petroleum in 1954 as related to domestic production of crude oil in 1954.

I was further assured that the Director of Defense Mobilization would take the action indicated as necessary to adjust imports of petroleum and its products to the level and relationship of 1954.

It is my judgment that, if these assurances can be supported by such further evidence as this body may think proper, we can all rely upon these assurances and that the importation of petroleum and its products will forthwith be limited to a relationship to our domestic production and in an amount equal to the 1954 position.

Since the report of the Finance Committee, I have further explored this situation with administrative agencies charged with the responsibility for the application of this program, and I can say to the Senate that again I have complete assurance of compliance of these agencies with the direction set forth in that amendment.

Based on these assurances, I heartily support the report of the Finance Committee.

During the executive sessions much consideration was given to the limitation of oil imports and the limitation of other imports on a percentage or quota basis. After literally days of discussion and thought, the committee wrote in a general amendment dealing with these commodities. There can be no doubt in my mind as to the intent of the committee, nor, do I believe, as to the intent of the Senate in regard to limiting the oil imports to the average daily imports of the year 1954, based on the report of the President's Commission on Energy Supplies and Resources Policy.

I can assure the Senate that I would not have agreed to the amendment in H. R. 1, dealing with imports of commodities which are of national defense interest, had I not been assured that it would be the policy of those who ad-

minister the act to follow the intent of those who participated in preparing the report of the Advisory Committee.

I think it is interesting to note that on April 18 Secretary of the Interior Douglas McKay, who was a member of the President's Advisory Committee, stated in a speech at Mount Vernon, Ill., in referring to the question of oil imports, that he not only approved the Committee's recommendations but also stated:

"To state it simply, it means that appropriate governmental action should be taken if the importers do not voluntarily hold down the rate of imports in proportion to the 1954 level."

I think, as the senior Senator from Colorado (Mr. Millikin), the ranking minority member of the Senate Finance Committee, stated yesterday, that we expect those in authority to administer this program on the basis of a limitation of imports; and if it develops, and we find that the program is not being so administered, then it will become the duty of the Senate Finance Committee, the House Ways and Means Committee, or individual Senators or Members of Congress to demand full compliance with this intent.

Mr. CARLSON. I will say to the Senator from New Mexico that I believe that this amendment will establish a standard on which we can rely; that it will limit oil imports, as recommended by the Advisory Committee on Energy Supplies and Resources Policy, to 13.6, and we expect that recommendation to be carried out.

Mr. ANDERSON. I thank the Senator from Kansas for that information. It is reassuring to me.

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Mr. DANIEL. That was the next point I was about to make. Not only is it of great concern to our States and to the independent oil industry, but it is of national concern if we are to believe the President's Advisory Committee on Energy Supplies and Resources Policy, and I certainly do believe them. If imports are allowed to exceed the ratio they bore to market demand or production in 1954, the national security would be endangered. Is that not correct?

Mr. CARLSON. I thoroughly agree with the distinguished Senator from Texas. It was for that reason that the junior Senator from Kansas and the junior Senator from Texas and many other Senators cosponsored an amendment making the limit 10 percent. I say very honestly and sincerely, had it not been that I was satisfied with the amendment adopted by the committee, after days and days of hard work and conferences, I would still have supported a limitation on oil imports of 10 percent.

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Mr. DANIEL. Based on that evidence, is it the Senator's understanding that if oil imports should exceed the 1954 ratio, there would be injury to our national security?

Mr. CARLSON. There can be no question about that.

Mr. DANIEL. Was there any reason why the committee included the amendment at all, if the committee did not feel that the national security would suffer if oil imports were in excess of the 1954 ratio?

Mr. CARLSON. As I said earlier in my remarks, the Finance Committee spent much time on this amendment and on other amendments dealing with quota imports and their effect on the national defense. We were seriously concerned about the matter. For that reason, we have assurances that those administering the act will act in accordance with the proposal submitted by the President's Advisory Committee on Energy Supplies and Resources Policy and the evidence submitted to our committee. I have no doubt of it.

Mr. DANIEL. Since the Senator from Kansas was an original coauthor of the Neely amendment, I think his statement as to what the administrative official will do with the committee substitute for the Neely amendment is very important.

As I understand it, the President's Advisory Committee which wrote the Fleming report recommended that if imports of crude oil exceed the 1954 ratio between imports and production—I believe they used the word "production" rather than the words "market demands"—appropriate action should be taken to limit the imports. That portion of the Fleming report on oil imports is contained in the report of the Finance Committee; is it not?

Mr. CARLSON. That is correct. In my statement to the Senate, just before this interrogation by the distinguished Senator from Texas, I read a statement

and an excerpt from a speech by the Secretary of the Interior, Douglas McKay, who was a member of the President's Advisory Committee. I shall read it again; this is a quotation from the statement he gave on April 18, at Mount Vernon, Ill., when he was speaking of the report of the Advisory Committee:

"To state it simply, it means that appropriate governmental action should be taken if the importers do not voluntarily hold down the rate of imports in proportion to the 1954 level."

I do not see how anything could be any plainer than that.

Mr. DANIEL. I certainly agree with what the Senator from Kansas has said; it seems plain to me. I simply wanted to have assurance from the Senator from Kansas, who, throughout the hearings, served on the Finance Committee, and heard the evidence. I wished to be sure that he understands the matter as I understand it. I refer to the reports of the danger to national security which already have been made, and to the statements that administrative officials feel they can stop the threat to our national security under the provision the Finance Committee has written into the bill.

Mr. DANIEL. As a member of the committee, is it the opinion of the Senator from Kansas that a majority of the committee, which supported the amendment, intended that the necessary action be taken to keep imports from exceeding the 1954 ratio, which has been interpreted by the President's Advisory Committee as the ratio beyond which injury would be done to the national security?

Mr. CARLSON. One reason why I say that is very definitely the opinion of the committee, or at least the intent of the committee, is the fact that the chairman of the Finance Committee included in the report of the committee a part of the Advisory Committee's report, which, after all, in my opinion, gives the intent of the Finance Committee.

Mr. DANIEL. Yes. I was particularly impressed by what the Senator from Kansas has said in the course of his able address today to the effect that he has received from administrative officials assurances that they will enforce this provision and will see to it that imports are not allowed to damage the national security.

Mr. CARLSON. Of course, I would say—and I think it was mentioned yesterday by the distinguished Senator from Colorado—we expect the administrative agencies to carry out the intent of the Senate and of the Finance Committee; and I feel confident they will do so. In fact, I think I can say we had definite assurances that they intend to do so.

Mr. DANIEL. A moment ago I understood the Senator from Kansas to say that, as a member of the committee, he has received such assurances.

Mr. CARLSON. I have.

Mr. DANIEL. I wish to say that I, also have today received such assurances. However, I think it is more important for us to consider the assurances made to the Senator from Kansas who is a member of the Finance Committee. Further, he is a coauthor of the Neely amendment. Is that correct?

Mr. CARLSON. I wish to say to the distinguished junior Senator from Texas that, insofar as the junior Senator from Kansas is concerned, this colloquy at least interprets the congressional intent, including the intent of the Finance Committee, as I interpret it, as a result of my attendance at the hearing—and I attended most of them. I feel confident that this situation can be taken care of on the basis of the recommendations of the President's Advisory Committee on Energy Supplies and Resources Policy.

Mr. DANIEL. I hope that action will be taken, and I am sure the Senator from Kansas will be one of the first to support enactment of a stronger provision requiring the reduction of excessive oil imports, if the administrative officials fail to carry out the intent of the amendment.

Mr. CARLSON. There is no question about that.

Mr. DANIEL. Does the Senator from Kansas understand that after the Cabinet report was issued, administrative officials expressed themselves to importing companies as feeling that the recommendations of the Cabinet Committee should be followed, and that the importing companies should voluntarily cut their imports to the 1954 ratio?

Mr. CARLSON. I think that is a very fair statement. As a matter of fact, during the hearings, when we had before us some of the presidents of and other witnesses representing the larger importing companies, I brought out the fact that I did not like to have imports limited by means of a rigid percentage basis, and that I hoped they would voluntarily make an effort to hold the imports within the limits set forth in the Advisory Committee's report. They assure us

they would. So we are taking them on faith. If they do not do so, I assure the Senator from Texas that, insofar as I am concerned, I shall propose that action be taken to have them comply.

Mr. DANIEL. I should like to ask one more question, which may appear to be somewhat technical. As I understand, under the amendment the Director of the Office of Defense Mobilization would be the Government official who would report to the President that imports might be at such a ratio that they would endanger the national security.

Mr. CARLSON. That is correct.

Mr. DANIEL. Since the same official was on the Cabinet committee—as a matter of fact, he was chairman of the committee, was he not?

Mr. CARLSON. He was.

Mr. DANIEL. Since he was on that committee, and since his committee has already made one investigation and report as to a ratio of oil imports which would endanger the national security, is it the understanding of the Senator from Kansas that that official already has sufficient information to report to the President, and to justify action by the President under this amendment?

Mr. CARLSON. Not only is it my understanding but it is most reasonable that he should do so, and I so stated earlier in my remarks.

Mr. DANIEL. In other words, there would be necessity now to make a further examination of the evidence, insofar as oil is concerned. If it continues to exceed the danger point there is no need for a new investigation.

APPENDIX Y

[From Platt's Oilgram Price Service, New York edition, Friday, April 25, 1958]

PRICES ARE WHITTLED DOWN ON NEW CONTRACTS TO LAND HEAVY FUEL ON EAST COAST

New York, April 24.—Prices are being cut on delivered-cargo lots of bunker C fuel to east coast buyers. This is indicated in reports today that several new long-term contracts recently have been closed, with prices 10 cents to 20 cents a barrel lower than heretofore.

Up to now, virtually all term supply contracts to east coast cargo buyers of bunker oil have called for 20 cents a barrel allowance (below barge prices). The new deals, it appears, will land oil in New York at about 35 cents off barge, or 15 cents better than existing cargo prices.

Under certain circumstances, it is said, oil will land here at as much as 40 cents off barge, or 20 cents off cargo.

Three customers and one supplier are involved in current break with prevalent supply arrangements, according to reports. Amount of oil sold already is said to total 10 million barrels per year. Source of oil probably will be the Caribbean area, although supplier also has available bunker C fuel on west coast, at United States gulf, and in Persian Gulf.

Details of the three term deals are hard to pin down. However, one is said to be an f. o. b supply arrangement on about 5 million barrels annually at a substantial discount off gulf and/or Caribbean prices. Other trades range about 2.5 million barrels a year, and reportedly call for larger delivered-cargo allowance, depending to some extent on margin between gulf coast cargoes and New York barge. Either way, contract oil lands here cheaper than formerly.

All of the deals tend to minimize the effects of gulf coast prices for heavy fuel oils on those along the east coast. In fact, under new conditions, buyers reportedly will have bunker C fuel landed at New York Harbor for prices very close to those at United States gulf.

Restrictions on crude oil imports have stepped up efforts to sell products of foreign crude origin, according to some reports. Competition from interruptible gas supplies in the New York area at something under $2.50, delivered to industrials also has fostered the new, lower-price arrangements, it is said. Barge quotations for No. 6 at New York currently are $2.65 a barrel.

History of heavy fuel marketing in New York has been one of terminal operators trying to buy more cheaply than existing cargo arrangements permit. Terminal operators have looked to midcontinent, to west coast, to Mexico, and even to Italy and Persian Gulf, to find bunker oil that will let them get edge on competitors.

Partly as result of this drive, cargo allowances over the years have tended to widen on delivered residual, particularly from the Caribbean. In the 1930's, the cargo allowance (off barge prices) was 10 cents. In the late 1950's, the cargo allowance was increased to 15 cents. Last year, in December, Caribbean suppliers increased the delivered-cargo allowance 5 cents to 20 cents.

Now, a new shift to wider cargo margin seems threatened.

APPENDIX 7

[From Petroleum Week, May 14, 1958]

GULF AND CARIBBEAN MOVE FURTHER APART

The market trend

It's increasingly evident this week that there is a pronounced price cleavage between the United States gulf and the Caribbean. Posted prices for products happen to be the same in both areas. But that isn't necessarily the way the products are sold.

At the same price levels, look at the contrasts. Gasoline is trying to gather a little strength at the gulf; it's weak in the Caribbean. Distillate prices have a good chance of rising this summer at the gulf; in the Caribbean, sellers gloomily concede that they can't reach the Toronto market this summer except as large discounts.

The sharpest contrast is in bunker C fuel. The quoted price in the gulf is $2.25—quite firm. The list price in the Caribbean is also $2.25—but very weak. This week, news filtered out that a big utility in Florida is buying on a 10-year contract at prices to net the seller 25.5 cents off the gulf price, delivered—the supply coming from the Caribbean.

The drop last week in New York residual prices throws this gulf-Caribbean conflict into a more decisive phase. Barge prices for No. 6 were cut 8 cents a barrel. Significantly, the move was started by an independent.

If major east coast marketers meet the New York reductions, their Caribbean affiliates will be under strong pressure to grant similar allowances on cargo-lot deliveries. This would mean that substantial quantities of No. 6 fuel would land in New York, delivered in cargoes, at $2.22 a barrel. This would make the f. o. b. price of $2.25 in the gulf (however firm) look vulnerable. Caribbean prices, too, would look in need of an overhaul.

Then you ask: How long will Caribbean refiners continue to follow the lead of cargo prices at the United States gulf? A formal breakaway will take time, probably. Lots of supply contracts calling for the gulf or Caribbean price, whichever is lower, will have to expire first.

But you'll see the breakaway immediately in Government bid business and in new supply contracts. In these two areas, especially, the pressure of supply will prove too much for tradition.

Gasoline: The season coming?

There has been more gasoline buying, both at the gulf and in the upper Midwest. As yet, it hasn't put much starch in prices. At Wood River, about 600,000 barrels were picked up last week—92 octane at about 10.4 cents. At the gulf, a part cargo of regular went at a discount of about 0.375 cents.

There still are price wars

The retail picture on gasoline looks much worse than the wholesale. In New Jersey, fair-trade prices were cut 1 cent to 18.9 cents for Blue Sonoco 200 (regular) on May 9.

In the Midwest, the area bounded by Detroit, Louisville, Kansas City, and Minneapolis is a big rectangle of cut prices. It's not unusual to see pump prices 8 cents to 9 cents below normal.

Tankers

Last month, 49 tankers went into lay-up because of poor rates. The idle fleet now totals 326 ships totaling 5 million tons deadweight. A hopeful sign, however, is that the number of vessels open for spot charters has dropped from about 90 to about 65.

Mr. POTTER. As a member of the task force of the President's Committee in 1955, I had a part in the development of the recommendation of the Committee that excess foreign oil imports, which were definitely considered a threat to our national security, be restricted to the ratio which imports of crude petroleum and petroleum products, including residual oil, bore to the 1950 domestic production of crude petroleum.

Your committee felt at that time that such a restriction was necessary. I need not remind this committee of the hours of deliberation which you gave to that problem, and the seriousness with which you considered the recommendation made by the President's Committee.

I think you all will agree that it was clearly the intent of the Senate Finance Committee in adopting section 7 of the act of 1955 that it was to provide a vehicle for the voluntary restriction of oil imports at the 1954 level, in lieu of the mandatory control proposed in the Neely amendment.

There are on record statements concerning the assurances which were given to the Senate Finance Committee and the Members of Congress that the administration would carry out such a program under section 7.

Further statements were made that if oil imports were not restricted to the 1954 level through the medium of section 7 operation, legislation would be introduced to make such controls mandatory.

We are here today to again urge you gentlemen to lend your best efforts to see that those assurances and promises are carried out and the integrity of the administrative body, as well as the Senate and the Congress, maintained.

We urge that you adopt an amendment to H. R. 12591 which will provide positive restriction of oil imports at the 1954 level as recommended.

I should like to digress for a moment and address myself to a subject or more general interest. H. R. 12591 would extend the Presidential powers on trade agreements for 5 years. For the first time in many years of trade agreement negotiations, we are faced with a downturn in domestic business. While we are all hopeful that this downturn may be of short duration, there is no positive assurance as to when the brighter day may be expected.

I, therefore, suggest that a 5-year extension in the face of the uncertain economic conditions would be nothing less than foolhardy.

It seems to me that everything is to be gained and nothing lost, in a renewal of this act for a shorter period. I would suggest not more than a 2-year extension. Certainly, we should have time to appraise the situation and then make such necessary decisions as the future may indicate.

There has been some indication that foreign nations would look askance on an extension of less than 5 years. This, I believe, is merely propaganda.

As a matter of fact, we in the coal industry know that the so-called policy of free trade is not what it seems to be. It is well and good to ask that we, in the United States, make concessions, which are lived up to, and then have our foreign brethren nullify such concessions through internal or administrative procedures.

On March 4, 1958, I appeared before the House Ways and Means Committee and a copy of my full testimony at that time is available

to you gentlemen. I made the prediction then that despite trade agreements, certain foreign countries would take steps to protect domestic industries, not through the medium of higher tariffs, for this would not be free trade, but by quotas, subventions, subsidies, and other internal devices.

I refer to Canada where the Canadian coal industry is protected against foreign competition by just such devices, particularly subventions plus tariffs and currently increasing and expanding subsidies.

To digress, the Canadian Government has just recently started paying subsidies which are greater than the total cost of production of the coal in the United States in order to protect their own coal industry.

That is an internal affair in the case of Canada and is not subject to bargaining with respect to tariffs and trade.

In England not through any tariff control or trade agreements, but wholly through an administrative prohibition, United States coal is now excluded from that market. The same is true in France, and currently a program is being developed to provide the coal industry of Western Germany with the same type of protection through a barring of United States imports.

This policy is to give 100 percent operating tie, if possible, to the coal mines in these countries, so we take not only our own decline in business but the pyramid of theirs.

Belgium likewise has on at least two occasions endeavored to strictly prohibit United States coal from its import program. Venezuela will not permit importation of any commodity that is manufactured in Venezuela. This is done by prohibition of shipments, as well as by increased tariffs.

It is not fair nor wise for this country to be so naive as to insist on an uninhibited free trade policy when those who seek our cooperation in their own way counteract the free-trade efforts by protectionism, attained through devices not generally subject to control under tariff agreements or laws.

I would further recommend that this Congress take some steps to restrict the administration of trade agreements by the Department of State. I believe that there should be a closer scrutiny by the Congress, and a closer working arrangement between those Government agencies charged with the administration of our foreign-trade program and the Congress.

I think it is necessary that such a policy be followed if the interests of our affected domestic industries are to be best served.

You gentlemen just heard Senator Thurmond deliver quite a discourse on that subject and I heartily agree with him because I believe he has very soundly analyzed that particular problem.

Gentlemen, I appreciate very much the opportunity of appearing before this committee and have limited my testimony so that I will not bore you.

Thank you very much.

The CHAIRMAN. Thank you.

Senator BENNETT. Mr. Chairman, for the benefit of the witness I think he has made two statements that are exactly opposite to what he wishes in the record.

On page 2, about three-quarters of the way down, he said, "I therefore suggest that a 5-year extension in the face of the uncertain economic conditions would be something less than foolhardy" and I am sure he meant "nothing less than foolhardy"—and on page 3, he said, "It is not fair and unwise for this country to be so naive," and I am sure he meant "wise."

Mr. POTTER. Sir, that is a typographical error; the corrections have been made in most of the copies.

Senator BENNETT. I am happy to give him the opportunity to correct the record.

Mr. POTTER. Thank you, sir.

The CHAIRMAN. The next witness is Mr. T. E. Veltfort, Copper & Brass Research Association.

Mr. Veltfort?

STATEMENT OF THEODORE E. VELTFORT, MANAGING DIRECTOR, COPPER & BRASS RESEARCH ASSOCIATION, NEW YORK

Mr. VELTFORT. Mr. Chairman and members of the committee, I am Theodore E. Veltfort, managing director of Copper & Brass Research Association in New York.

This organization is a trade association having as its members essentially all of the brass mills in this country.

The brass-mill industry comprises the mills which roll, draw, and otherwise form sheets, strip, plates, rods, wire, shapes, tube, pipe and forgings of copper and its alloys, such as brass, bronze, cupro-nickel, and nickel silver.

Our industry does not include the makers of wire and cable for electrical transmission, or the foundries.

Nor does the industry cover the mining or refining of copper, zinc, or any of the other metals which it uses.

Instead, the brass mills are customers of the metal producers, and I am speaking to you here solely from the viewpoint of the brass-mill industry.

Imports of brass-mill products have been growing at an alarming rate. Moreover, these imports have continued to expand during the current recession, despite the fact that the overall domestic market for brass-mill products has been curtailed during the recession.

Imported brass-mill products have already inflicted serious injury on the domestic mills with respect to many items, and the threat of even greater injury is clear.

The provisions of any extension of the Trade Agreements Act are, therefore, of great concern to the brass-mill industry.

Before turning to the specific provisions of the House-approved bill now pending before this committee, I believe that it might be helpful to outline very briefly the scope and size of the brass-mill industry, and to supply some basic facts showing how the industry has been injured by imports.

Brass-mill products are extensively used throughout the economy for a myriad of uses. These products are particularly important in building construction, especially residential building, and in automotive, appliance, and electronic applications.

Moreover, on each occasion that this country has been faced with a wartime emergency, the brass-mill industry has been taken over almost

entirely for defense purposes. It is quite likely that, under similar circumstances in the future, its products would again be of vital necessity both for defense and for survival.

The industry normally employs about 30,000 production workers. Its wages are among the highest in the Nation, averaging $2.35 per hour, not including so-called fringe benefits of 48 cents per hour. The industry's labor relations are good. Its employees are fine American citizens, and in most instances they have spent a considerable period of time in being trained for their work.

The mills are located in 13 States, and are an important factor in the economic health of the communities in which they are located.

Some of the mills are located in small towns, and the welfare of the entire community is virtually dependent upon the local brass mill. The committee will also be interested in knowing that these mills are not huge organizations, because the majority of the mills are "small business" in that they employ less than 500 workers.

The products of the industry are made to high standards of quality, and in general the products conform with the specifications of both the Government agencies and private technical societies and other standardization groups.

There are no factors of style, model, or unique characteristics involved. A given brass-mill product must conform to its specifications or widely established standards in order to be salable, but any item which does conform is the same article, no matter who makes it, here or abroad.

The industry has been cooperative and progressive. During the wars and the Korean situation, it expanded its facilities readily to meet the Government's requirements.

It has since improved its facilities to produce its products among to latest technical developments and economic principles. It has freely exchanged its know-how with foreign producers, often at the request of agencies of our Government.

War requirements of the brass-mill industry have always far exceeded the existing peacetime requirements, so that since World War II there has been more than ample capacity to meet all domestic needs. The industry through the promotional efforts of both the individual members and the association, has been fairly successful in expanding the use of its products, and believes firmly that it should be permitted to reap the benefits of the large amounts of money that have been invested in research, development and promotion.

In the 1930's, prior to trade agreement concessions, the industry exported an average of almost 50 million pounds annually, and at that time this Nation imported less than three-fourths of a million pounds.

In other words, exports exceeded imports annually by more than 49 million pounds.

In 1957, after reductions in duties had been made by trade agreements, the industry exported only 13 million pounds, but imports had leaped to 108 million pounds.

Imports last year exceeded exports by 95 million pounds, and have continued to grow. Thus far in 1958, the annual rate of net imports has reached 133 million pounds.

The export-import picture has thus been completely reversed. The industry's export markets have been completely taken over by foreign mills, and now the foreign mills are threatening to take the domestic markets. For example, in the 7 years since 1950, annual imports have increased from 81 million pounds to 108 million pounds, or an increase of 240 percent.

Even more disturbing is the fact that since 1955 domestic brass mill shipments have declined 38 percent while net imports of brass-mill products have increased 110 percent and are still increasing rapidly.

To appreciate the extent to which imports have already captured the domestic markets, it is necessary to look at the specific markets in which importers have thus far concentrated their efforts.

Unfortunately, Government data on imports are not available in the detail needed to establish the percent of these specific markets supplied by imports, but some examples can be given.

Perhaps the best example is the domestic market for thin wall brass tube for plumbers' tubular goods, because imports have now preempted virtually the entire market.

There are no separate Government data showing the imports of this specific product, but we know it is a fact that imports supply almost 100 percent of this domestic market—simply because the domestic brass mills are no longer able to sell any of this type of tube.

Some data are available on broader categories of products which cut across several domestic markets, and even these data show that the importers' share of these broad categories has been growing at an alarming rate since 1950: Copper seamless tube, from 0.9 to 11.1 percent.

Senator KERR. That is of the total market?

Mr. VELTFORT. That is correct. Imports, plus; yes, sir. Copper sheet and plate, from 4.3 to 18.8 percent; brass seamless tube, from 1 to 22.4 percent.

The basic cause for this situation is that foreign labor rates are exceedingly low compared with ours.

Compared to our average rate of $2.35 per hour without fringe benefits, wages in the United Kingdom are 72 cents per hour; in West Germany, 55 cents per hour; and 63 percent of imported brass-mill products come from these 2 countries.

The CHAIRMAN. That is the present rate?

Mr. VELTFORT. That is the present rate.

It was 1957, the latest figures we could get.

The CHAIRMAN. Has there been any increase in those labor rates?

Mr. VELTFORT. They tend to go up percentagewise just like ours with the result where we increase 10 percent, say, twenty and some odd cents, they increase 5 or 7 cents. The gradually are departing, disparity grows as the years go by.

To continue:

Production efficiency in foreign mills closely approaches ours. Their production equipment is excellent, and with respect to some items of such equipment, it might be superior to the production equipment available to our brass mills from domestic sources. Indeed, domestic brass mills have purchased some equipment from abroad in order to keep abreast of the foreign mills.

Although our production per man-hour is at least as good as in foreign mills, the vast difference in labor rates enables foreign mills easily to sell their products here up to 25 percent and more under domestic prices. They compete in the well-established markets resulting from millions of dollars spent by the domestic industry in research and promotion to create these domestic markets; while we have to continue to "hard sell" in these markets, importers need only to offer the lower prices which their low wage rates readily permit. Since we cannot (and do not want to) reduce our wages to match theirs, we have to depend for relief on appropriate provisions in the Trade Agreements Act.

By seeking such relief, we are not "protectionists" in the sense that we want an umbrella of high tariff rates held over the industry to protect it against better foreign products and more efficient production abroad. We have a highly efficient industry of ample capacity to satisfy domestic needs for mill products produced by highly paid American workmen under American labor and business standards. If Congress could develop a flexible tariff system which would encourage foreign mills to observe our labor standards and which would do no more than offset the lower foreign production costs resulting from low labor rates, our domestic brass-mill industry would welcome the opportunity to compete with the foreign mills in our own domestic markets. We ask only for the opportunity to compete on a fair basis, but in our view it is not fair for the Government to encourage high domestic labor rates and then force domestic producers to compete with foreign producers who do not observe the same ground rules.

The import problem as it relates to the copper mining industry has been recognized by the Government, and various steps are being considered to remedy that situation. That is as it should be, for that industry is a vital one and our industry welcomes any steps that can be taken to assure the adequacy and stability of our copper supply. It is appropriate to submit, therefore, that inasmuch as our industry consumes normally about 45 percent of the new copper refined in this country, the economic health of the copper producing industry cannot be restored unless our brass mill industry also prospers. In other words, if our Nation's requirements of finished mill products are imported from abroad, the market for copper mined in this country will be vastly curtailed.

Let me now refer to H. R. 12591 which reflects the administration's proposal to extend the trade agreements program. For the sake of emphasis and clarity, my comments will be directed principally to only one suggested amendment to H. R. 12591. This amendment, we believe, is necessary to eliminate discrimination and is noncontroversial.

A joint press release of the State Department and the Commerce Department, commenting on the administration's proposed bill, recognized the need for limited authority to increase our duties up to 50 percent more than the 1934 rates:

> All safeguards for American industry contained in the present act would be continued. In addition, increased authority will be sought to raise duties to remedy threatened or actual serious injury to domestic industries when found necessary after escape clause investigations. The President would be authorized

to raise the duty in such cases to 50 percent above the rate of duty in effect on July 1, 1934 (instead of 50 percent above the lower duties of July 1, 1945, as in existing law). (Press Release No. 660, December 9, 1957.)

Section 3 (a) (1) of H. R. 12591 embodies this proposal of the administration, and it is noncontroversial.

The House bill, however, contains one large gap. Although the bill recognizes the need for increasing ad valorem duties in deserving cases, the limited authority to increase duties does not take into account the unique plight of domestic industries making items subject to a specific duty. Since the provision in the House bill applies only where there is serious injury to the domestic industry involved, it is obviously unfair and discriminatory to provide some domestic industries with adequate relief and to deny such relief to other industries merely because they happen to produce items covered by a specific duty. The only fair thing to do is to amend this part of the bill so as to provide for substantially the same treatment to all domestic industries, irrespective of whether such an industry, by mere chance, produces an item on which there is a specific duty rather than ad valorem duty. Such an amendment would close the loophole in the House bill.

Let me point this problem up with an illustration. A specific duty in 1934 of 8 cents a pound on a given article, which then had a value of 20 cents a pound, would have been the equivalent of an ad valorem rate of 40 percent. With the value of the article having increased to 40 cents a pound by 1958, the present ad valorem equivalent of the 8 cents a pound specific duty would be only 20 percent. Under the Administration's proposal as set forth in H. R. 12591, the mavimum relief in such a case would be to increase the duty by 50 percent above the 8 cents a pound which existed in 1934, or to 12 cents a pound. Under current prices, however, the ad valorem equivalent of 12 cents a pound would be 30 percent. In other words, the competitive significance of the duty after a 50 percent increase would still be less than the 1934 duty on the basis of prices existing at that time.

This point can be illustrated in still another way by comparing two products both of which had a value of 20 cents a pound when the duty on them was originally established. If the duty on one product were fixed at an ad valorem rate of 40 percent, whereas the duty on the other product were set as a specific duty of 8 cents a pound, both products would have had exactly the same level of protection. Under the Administration's bill, however, it would be possible to increase the duty on the first product to 60 percent, and if the product now sells for 40 cents a pound, this would amount to a duty of 24 cents a pound in our illustration. But for the other product—which now sells for 40 cents a pound—the Administration's bill would permit a duty of only 12 cents a pound. In other words, under the House-approved bill, it would be possible—with respect to two items that originally had the same level of protection—to increase the duty on one item to 24 cents a pound, whereas the maximum duty on the other item would be only 12 cents a pound.

Now this is not a theoretical or imaginary case. Brass mill imports during the years 1930 through 1938, which was before trade agreements made any reduction in tariffs on such products, took an average tariff of 9.8 cents per pound, which equaled 41 percent of the declared

value of such imports. In 1957, the tariff duties averaged only 2.4 cents per pound, and these duties amounted to only 5 percent of the declared value of the imports. Thus while successive reductions in the specific rates applicable to most brass mill products have been severe, the greatest difficulty has been caused by the inflation in prices which has occurred. The ad valorem equivalents of the duties on our products average only 12 percent of their original level. If the specific duties on brass mill products were increased to twice their initial level, the ad valorem equivalents would still be only slightly above the level which existed during the years 1930 through 1938.

Undersecretary of the Interior Chilson, in his testimony before the House Ways and Means Committee on February 19, recognized the presence of this problem with respect to most mineral commodities, when he said:

> Most of the tariffs on mineral commodities are low in comparison with other schedules * * * The duties in most cases are specific; they remain fixed regardless of price. During the past 15 years or so the rising prices of these products have reduced the ad valorem equivalents of practically all the duties.

Unfortunately, Mr. Chilson did not suggest a remedy, though it was inherent in his testimony that a remedy was called for.

At any event, a remedy ought to be provided. Since the administration's proposal already permits both ad valorem and specific duties to be increased up to 50 percent above their July 1, 1934 levels, we suggest that, in addition, the measure should authorize the conversion of specific duties to ad valorem rates on the basis of 1934 values, and to permit increases of these new ad valorem rates up to 50 percent. Such an amendment seems to us to be entirely reasonable. It would provide for equal treatment for all industries and thereby avoid discriminating against those industries whose products compete with imported articles subject to specific duties. In brief, the discriminatory features of the administration's bill would be eliminated, and all domestic industries would be placed on a par with respect to the available relief in escape-clause proceedings.

Attached to my statement is a proposed amendment of H. R. 12591 (appendix I) which would authorize the conversion of specific duties to their ad valorem equivalents. The brass mill industry urges that this amendment be adopted by the committee.

There are other amendments to H. R. 12591 which the brass mill industry favors and which deserve the committee's careful consideration, but I do not propose to discuss all of them in any detail. I would like to direct the committee's attention to one of these additional amendments dealing with the power of the President to overturn the recommended decision of the Tariff Commission. It is our position that where the Commission's findings of fact are supported by substantial evidence, such findings should be final—the same as the factual findings of other administrative agencies, such as the Federal Power Commission, the Federal Trade Commission, and the Civil Aeronautics Board. Under the present law, the President—actually his staff—has frequently rejected the Commission's recommendations by means of overturning the Commission's findings of fact and by substituting new factual findings. This is a serious defect in the law, and if the President is to have any power to overrule the Tariff Commission, such power should at least be limited to stated foreign policy reasons.

In the absence of a foreign policy ground for overturning a Commission decision based on findings of fact supported by substantial evidence, there is no sound reason for permitting the President's staff to substitute its judgment for that of the Tariff Commission.

There is one other point which is of peculiar significance to the brass mill industry. This point concerns the copper import excise tax which was enacted for the protection of the copper producing industry, not the brass mill industry. As I have already indicated, brass mills buy copper from the producers, and the excise tax is ultimately reflected in the amount which the brass mills must pay for their copper. Since the country's import tax does not affect the cost of copper at foreign mills, however, the copper import excise tax was also applied to the copper content of brass mill products in order to offset or equalize the increased price for copper paid by domestic brass mills. As this committee knows, the tax was suspended for many years by act of Congress.

It may come as a surprise to many members of this committee, but apparently the Tariff Commission has taken the position that whenever the copper import excise tax is suspended, the Commission has no jurisdiction whatever to entertain an application by the brass mill industry for relief in an escape clause proceeding. The Commission's theory seems to be that since the tax is suspended by special statute, Congress itself has elected not to impose the full amount of the duty—including such taxes—which the United States is permitted to charge under the trade agreements, and on this basis the Commission concludes that there is nothing for the United States to "escape" from. It seems somewhat ridiculous to us that the mere suspension of an import tax designed to help another industry has the effect of eliminating the relief otherwise available to the brass mill industry.

Since the supension of the copper import excise tax expired on June 30, 1958, the brass mill industry is at least temporarily relieved of this technical barrier to obtaining relief. On the other hand, the suspension might be reinstated at some time in the future. Accordingly, we suggest that the committee should seriously consider eliminating the basis for this unreasonable interpretation of the law.

This could be accomplished by deleting from subsection (a) of the escape clause the phrase which appears in two places, requiring a showing of causal connection between increased imports and trade-agreement concessions.

In fact, relief should be made available to any domestic industry which proves injury caused by imports, whether or not a reduction has been made since 1934 in the duty of the imported product involved. Duties on certain products may have been adequate in 1934. Under changed conditions, such duties may be wholly inadequate today, even though they have not been reduced by a trade agreement. This is most likely to occur, of course, in the case of specific duties, the impact of which has been substantially reduced since 1934 as a result of the continuous rise in prices. The escape clause should be expanded so as to apply to such a situation. This could be done by merely adding a clause to subsection (a) of the escape clause in two places, which would authorize the Tariff Commission to recommend relief whenever injury is found to have been caused by increased imports, even though the 1934 duty remains unchanged.

Before concluding, I should like to offer for the committee's consideration 1 or 2 general comments. Even if one accepts the proposition that this country's imports ultimately support a thriving export trade, this still does not justify causing serious injury to specific components of our domestic economy. Certainly it is not in keeping with American principles to inflict injury on one segment of the business community in order to bestow a benefit on another segment. It is for this reason that Congress has always insisted that the Trade Agreements Act contain means of relief for any domestic industry seriously injured by imports. Moreover, I believe that it is fair to say that every President and every Secretary of State commenting on the act has invariably pointed out that it is not the purpose of the act to injure any domestic industry. Yet, in the administration of the act there has been serious injury in many instances.

From the long-range point of view, Congress should, I believe, give serious consideration to a tariff law which would provide an inducement to foreign countries to raise their standards to the standards which are applicable here. This would mean that foreign producers who elect to compete in our markets would observe the same rules as domestic producers. If this were the case, no one would object to removing all trade barriers and having completely free trade.

The immediate problem, however, concerns H. R. 12591. It requires an amendment to permit the conversion of specific duties to their ad valorem equivalents. Such an amendment is necessary to avoid discrimination, and it is noncontroversial. I most seriously urge again that the committee adopt such an amendment.

(The amendment referred to is as follows:)

APPENDIX I. PROPOSED AMENDMENT TO H. R. 12591 TO PERMIT CONVERSION OF SPECIFIC DUTIES TO AD VALOREM EQUIVALENTS

Two amendments to H. R. 12591 are needed. The first amendment would delete subparagraph (1) of section 3 (a) of H. R. 12591 and substitute in lieu thereof the following:

"(1) Paragraph (2) (A) is amended by striking out the entire paragraph and by inserting in lieu thereof the following:

"'(A) Increasing by more than fifty per centum any rate of duty existing on *July 1, 1934, except that in the case of a specific duty, the proclamation by the President may convert such specific duty as it existed on July 1, 1934, to its ad valorem equivalent based on 1934 value and may increase such ad valorem rate by not more than fifty per centum.*'"

The second amendment would consist of adding a subsection (d) to section 5 of H. R. 12591 as follows:

"Section 5 (d). Subsection (a) of Section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C. Section 1364), is amended by striking out the third sentence and by inserting in lieu thereof the following:

"'Should the Tariff Commission find, as a result of its investigation and hearings, that a product on which a concession has been granted is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products, it shall recommend to the President the withdrawal or modification of the concession, its suspension in whole or in part, the establishment of import quotas, *or an increase of the applicable duty*, to the extent and for the time necessary to prevent and remedy such injury. *The Tariff Commission shall not recommend any increased duty which is more than fifty per centum above the rate existing on July 1, 1934, provided, however, that in the case of a specific duty, the Commission may convert such specific duty as*

is existed on July 1, 1934, to its ad valorem equivalent on the basis of 1934 value as found by the Commission, and the Commission may recommend that such ad valorem rate be increased by not more than fifty per centum.'" [Italic indicated new language; the language not italicised is in the existing Act.]

Mr. VELTFORT. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Kerr?

Senator KERR. I would like to ask just one question if I may, Mr. Chairman.

The CHAIRMAN. Senator Kerr.

Senator KERR. On page 11 in the first large paragraph, second sentence—

duties on certain products may have been adequate in 1934. Under changed conditions such duties might be wholly inadequate today even though they have not been reduced by a trade agreement.

Do you know the average reduction of all tariffs which have been brought about under the administration of the trade agreements acts since first passed in 1934?

Mr. VELTFORT. No; I do not.

I know that for our own industry but I have no overall figure.

Senator KERR. What is it for your industry?

Mr. VELTFORT. For our industry it has been reduced from an average of the years before the trade agreements from 41 percent of the value to 5 percent.

In other words there has been one-eighth——

Senator KERR. In other words then so far as your industry is concerned it has been reduced?

Mr. VELTFORT. To one-eighth.

Senator KERR. Eighty-seven and a half percent?

Mr. VELTFORT. That is right.

May I point out, Senator, why some of that occurs—why I say "changed conditions."

I pointed out before that the difference between wages here and abroad tend to become more and more spread because of this percentage—wages increase generally by percentages and not by cents, so starting with a low base, the cents per hour tends to go up in proportion to the original base.

Well, on that basis I happened to compare figures of English wages compared to ours back in 1938. Their wages were then about 65 percent of our wages as against only about 33 or 35 percent now.

In other words, percentagewise they have spread and of course that is what governs cost of production, and that is the reason why changed conditions may have quite an effect on us.

Senator KERR. But in so far as your industry is concerned tariffs have already been reduced by 87½ percent?

Mr. VELTFORT. That is right.

Senator KERR. Of what they were when the trade agreements acts were inaugurated?

Mr. VELTFORT. That is right, sir.

Senator KERR. The best I can deduce from the evidence before the committee, the overall average is about 80 percent?

Mr. VELTFORT. Yes.

Senator KERR. Plus the effect of inflation?

Mr. VELTFORT. Yes.

Senator KERR. As we regard specific tariffs rather than ad valorem tariffs.

Mr. VELTFORT. That is right, sir.

Senator KERR. Does it not seem to you as entirely possible that a program the purpose of which was to lower trade barriers in order to encourage more trade might have already substantially accomplished that purpose if it has resulted thus far in eliminating 80 percent average and a good deal more when you give effect to inflation, of the barriers that existed when the program was inaugurated?

Mr. VELTFORT. I should certainly think so and I do not see how much further you can go.

Senator KERR. And that a continuation of granting not only authority to maintain in effect the reductions thus far made, but to give authority to make still further reductions, could be approaching not only the point of gravely increasing danger to the domestic industries, but the point of being ridiculous.

Mr. VELTFORT. In our particular industry, I would say, Senator, it might be disastrous.

Senator KERR. Well, I thank you very much.

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

The CHAIRMAN. Senator Bennett.

Senator BENNETT. I am interested in this wage differential.

Mr. VELTFORT. Yes.

Senator BENNETT. Could you give for the record the actual money value of the wages in the two countries in 1938?

Mr. VELTFORT. You mean as compared with their cost, what we call our consumers prices?

Senator BENNETT. First what was their actual money value?

What was the average hourly wage in Great Britain in 1938 in your industry?

Mr. VELTFORT. Oh, yes, I think I can give you that.

Senator BENNETT. Do you have that with you?

Mr. VELTFORT. Yes, I do, if I can ask your patience for a minute.

Senator BENNETT. You have given us current rates?

Mr. VELTFORT. Yes. Comparative wage rates in manufacturing for the year 1930, for the United States and United Kingdom was 50 cents in the United States, and 32 cents per hour in Great Britain.

Senator BENNETT. So that the difference in terms of cents was 28 cents?

Mr. VELTFORT. That is right.

Senator BENNETT. An hour?

What percentage of the total costs of your products is labor; what is the labor content?

Mr. VELTFORT. It would vary a lot, Senator, depending of course on the product but taking it by and large the metal costs, fixed costs would be about 50 percent, and labor and labor-based costs, overheads, and so on, would be the other 50.

Senator BENNETT. Thank you.

Senator MARTIN. Mr. Chairman, might I ask a question?

The CHAIRMAN. Senator Martin.

Senator MARTIN. On page 5 and page 11 and page 12 of your testimony you refer to the development of a flexible tariff system which

would encourage foreign mills to observe our labor standards. We all admit that that would be an ideal thing to do.

Do you have any suggestions to put in the law that it would make it mandatory upon the administrative authorities to comply with that idea?

Mr. VELTFORT. Well, I would simply put it on the basis that it seems to me a tariff should reflect the difference in wage, with the tariff varying in accordance with the difference in wages.

In other words, there ought to be some wage equalization, what I call a wage equalization, tax or tariff.

Senator MARTIN. Of course, as I understand it, that has been the idea of the American tariff from the early days.

Mr. VELTFORT. Yes.

Senator MARTIN. But is there any language that you could suggest that would require the administrative authorities to comply with that plan?

Mr. VELTFORT. I could provide such language.

Senator MARTIN. I wish you would.

Mr. VELTFORT. I would be glad to.

(The information is as follows:)

PROPOSED AMENDMENT TO H. R. 12301 TO PROVIDE FOR A FLEXIBLE TARIFF BASED ON EQUALIZING PRODUCTION COSTS HERE AND ABROAD

This amendment could be appropriately added as a new subsection (e)[1] to section 5 of H. R. 12591, as follows:

"SEC. 5. (e) Section 336 of the Tariff Act of 1930 and the second sentence in section 2 (a) of the Trade Agreements Act of 1934 are hereby repealed. Section 7 of the Trade Agreements Act of 1951, as amended, is amended by inserting in subsection (a) '(1)' before the first sentence of the third paragraph, by making the last sentence of the third paragraph a separate but undesignated paragraph, and by inserting immediately prior thereto the following:

"'(ii) Should the initiating request, resolution, or application ask the Tariff Commission to recommend a flexible tariff based on equalizing production costs here and abroad, and should the Tariff Commission find, as the result of its investigation or hearings, that a product is, as a result in whole or in part of the applicable duty or customs treatment, being imported in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products, the Tariff Commission shall recommend to the President, and the President shall have the power to impose, an ad valorem duty not in excess of the rate needed to offset the higher production costs of the domestic industry as compared to the production costs of producers in the country from which the greatest quantity of imports of the product have been received during the next preceding two calendar years. In ascertaining differences in costs of production, the Commission shall take into account all cost factors on which evidence is presented to the Commission by any interested party and which have any practical competitive significance (including raw materials, labor, depreciation, and sales and administrative expenses). Where no interested party submits direct evidence of the production costs of the foreign producers involved, the Commission may compute such costs in accordance with the following formula:

"'Item 1. Representative or average sales price of the imported product during the preceding year (for the largest quantity customarily sold in the trade, at a popular port of debarkation in the exporting country involved, packaged and ready for shipment to this country.)

"'Item 2. Plus—any export license fees or other export taxes levied on the foreign producers by the exporting country.

[1] Sec. 5 of H. R. 12591 now has three subsections, and a new subsec. (d) on converting specific duties to ad valorem equivalents was proposed for Mr. Veltfort's original statement to the Committee on Finance of the Senate. Accordingly, the amendment here proposed for a flexible tariff has been identified as subsec. (e).

"'Item 3. Less—any export subsidies, bounties or other forms of export incentives received by the foreign producers.

"'Item 4. Plus—normal transportation and insurance costs to a popular United States port of entry for the product.

"'Item 5. Less—profit, computed at 10 percent of item 1.'"

The Commission may, where necessary, make reasonable adaptations of the above formula to fit the particular facts of the proceeding involved. The Commission shall not proceed under this provision (ii) unless an interested party submits accounting data fairly representative of production costs of domestic producers and also submits, when requested by the Commission, a report of an independent firm of auditors setting forth the extent to which such data are based on cost factors reflected in the regular books of account of all of the individual domestic producers said to be representative of the domestic industry. After a duty on a product has been established under this provision, the Commission shall entertain, not more frequently than annually, a request of the President, a resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, or on application of any interested party, to decrease the rate of the duty in order to reflect reduced differences in the production costs of the domestic industry as compared with the production costs of producers in the country from which the greatest quantity of imports of the product have then been received during the next preceding 2 calendar years, and the Commission shall proceed in the same manner as in original proceedings under this provision, except that the procedures relating to proof of production costs shall be reversed, that is, the formula specified above may be adapted and then applied in determining domestic production costs where no direct evidence of such costs is submitted, but proof of foreign production costs shall consist of accounting data fairly representative of production costs of the foreign producers involved and, when requested by the Commission, a report of independent auditors as provided above.

Senator MARTIN. Personally, I think it depends more upon the administration than anything else but if there could be stronger language inserted, I would like to see it done.

Mr. VELTFORT. I will be glad to do it.

Senator MARTIN. Thank you.

Senator DOUGLAS. Mr. Chairman, if the Senator from Pennsylvania has finished, I would like to ask some questions.

Senator MARTIN. I thank you.

Senator DOUGLAS. I want to say while I do not agree with your general conclusions, I want to compliment you on your statement which is accurate and I think you have argued your case with complete accuracy. It is completely accurate in what you have said about conditions.

But there are 1 or 2 questions which I should like to ask. At the bottom of page 10 of your statement you say "Since the suspension of the copper import tax expired on June 30, 1958."

Now, that is stated in the form of a negative, does that mean that beginning yesterday that there is an import tax on copper?

Mr. VELTFORT. There is.

Senator DOUGLAS. How much a pound?

Mr. VELTFORT. One and seven-tenths cents a pound; not only copper itself, but on copper content of fabricated products from copper.

Senator DOUGLAS. So that on brass tubing and so forth it would be that tariff on copper content?

Mr. VELTFORT. Senator, I worked it back for 1957, in 1957 it would amount to an average of 1½ cents a pound.

Senator DOUGLAS. I see. Well, thank you.

Now, the second question I wanted to ask, Is your industry what is known as an integrated industry? That is, does Anaconda, Kennecott, Phelps Dodge, own any of these brass mills?

Mr. VELTFORT. Some of the brass mills are owned by copper producers.

Senator DOUGLAS. Would you state for the record what mills Anaconda owns?

Mr. VELTFORT. Anaconda owns American Brass.

Senator DOUGLAS. American Brass?

Is that all?

Mr. VELTFORT. That is all.

Senator DOUGLAS. And Kennecott owns Chase Brass & Copper?

Mr. VELTFORT. Yes.

Senator DOUGLAS. And Phelps Dodge?

Mr. VELTFORT. Phelps Dodge owns Phelps Dodge Copper Products.

Senator DOUGLAS. What percentage of the brass products industry will these three subsidiaries own, producers, rather?

Mr. VELTFORT. I do not believe I could tell you.

I mean we very carefully avoid having any knowledge of the representation of the individual mills but I can assure you that the majority of the mills are independent and——

Senator DOUGLAS. The majority of the products is what I want.

Mr. VELTFORT. I do not know about production.

I have no figures that would justify any estimate of that because as I say, we carefully avoid getting into that.

Senator DOUGLAS. Why do you carefully avoid it?

I should think that would be very important.

Mr. VELTFORT. We do not like to be in a position where we can say what the relative percentage of each company is. All statistics of that kind are gathered by a confidential agency which just publishes the overall.

Senator BENNETT. Will the Senator try him on employment? Maybe that will give you a cue.

Senator DOUGLAS. May I just finish this?

Mr. VELTFORT. Yes, indeed.

Senator DOUGLAS. Do you want to make an educated guess on this?

Mr. VELTFORT. I dislike to because the tendency, the trend of the proportion of the business which is handled by those three companies is tending down as compared with the rest.

A number of new mills have come into the industry that are new, I mean independent.

Senator DOUGLAS. Am I correct in understanding that Revere Brass is independent?

Mr. VELTFORT. That is independent.

Senator DOUGLAS. Thank you.

Mr. VELTFORT. Not at all, sir.

Senator BENNETT. I would like to try him then.

Do you know what proportion of the total industry is represented by these three integrated companies?

Mr. VELTFORT. I have not those figures here.

I do not know that that would be too safe a guide, because employment differs whether—what particular products a mill makes, obviously if it makes only one product, and products require quite a lot of fabrication in the way of fine tubing and so forth, it might make a difference.

Senator BENNETT. That is all.
Thank you.
The CHAIRMAN. Thank you, Mr. Veltfort.
Mr. VELTFORT. Yes, sir.
The CHAIRMAN. The next witness is Mr. Charles Schwab, who is appearing for the Lead and Emergency Committee.
Senator BENNETT. I understand Mr. Schwab withdrew yesterday but he will submit a statement.
(The following statement of Mr. Schwab was subsequently submitted:)

EMERGENCY LEAD-ZINC COMMITTEE,
CARE OF AMERICAN MINING CONGRESS,
Washington, D. C., July 8, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: We had hoped that the President would have taken action on the Tariff Commission's second unanimous finding of injury in the lead-zinc escape clause case (T. C. No. 65) before the conclusion of your committee's hearings on extension of the Trade Agreements Act.
Since the President has, under date of June 19, advised you that he is suspending consideration of the Commission's decision, we respectfully request that this letter and the attached exhibits be made a part of the record in your hearings on H. R. 12591.
We wish to call to your attention the experience which the domestic lead-zinc mining industry has had under the procedures of the Trade Agreements Act and the Tariff Act of 1930. This is outlined in the attached exhibits and supplemented with four important letters.
We have faithfully sought an answer to our problem in accordance with provisions of present law. We believe we have established an unparalleled record in conscientiously pursuing every procedure available to obtain administrative relief according to the provisions of the Trade Agreements Act. Notwithstanding the second unanimous finding of injury by the Tariff Commission, all our efforts, thus far, have been in vain.
It is important that our position concerning imports of lead and zinc be clearly understood. We are not opposed to imports. We agree that substantial imports of lead and zinc are needed to supplement our own mine production in order to supply consumers' demand. We do not promote any action that would deny consumers all the lead and zinc they want at prices that are competitive and, at the same time, prices which are reasonable for our mines. We do urge, however, that imports are much in excess of need and the Tariff Commission in its April 24 second unanimous decision concurred in a finding of injury. Government action, therefore, is required to reduce the volume of imports to reasonable proportions. The critical condition of the lead-zinc mining industry was the subject of hearings before your committee on July 22-24, 1957, at the conclusion of which, after consideration of this matter in executive sessions, your committee reported out a bill (Senate Calendar No. 1075, Rep. No. 1053, August 20, 1957).
It continues to be our basic position that the fairest and most effective answer to all concerned—to United States producers, foreign producers, American consumers and taxpayers—would be legislation permitting duty free imports of needed lead and zinc; providing "peril point" prices of 17 cents and 14½ cents; and providing for an import tax of 4 cents payable only in the event unneeded imports forced the United States price to decline below these "peril point" prices. We are still of that mind. A copy of legislation providing the above mentioned features is attached herewith.
Notwithstanding the unequaled record which has been made for these two commodities, the documentation of injury by the Tariff Commission and our maximum use of provisions of the Trade Agreements Act, the Secretary of the Interior, in behalf of the administration, on April 28 presented a mineral stabilization plan to the Senate Interior Committee. This plan has been the subject of lengthy hearings before the Senate Interior Committee and a bill is being reported to the Senate.

It is readily apparent, that if the lead-zinc mining industry of the United States is to survive two alternative courses of action are presently available:

(1) an amendment to the Trade Agreements Act as set forth above; or

(2) the implementation of the mineral stabilization plan by the Congress.

One of these courses must prevail if the industry is to exist. Examination of only the outline of the past record of our industry on the accompanying pages leaves no doubt that we are understandably very deeply concerned as to what is meant by "reciprocal" and what is meant by "escape." It has been our unfortunate experience that insofar as these two commodities are concerned there is no evidence that reciprocity has or will prevail or that there is any escape for an industry which has twice received a unanimous finding by the Tariff Commission of serious injury due to excessive imports.

We respectfully urge your committee's consideration of our problem, the solution for which must necessarily at this point originate in the Senate of the United States.

Respectfully submitted.

C. E. SCHWAB, *Chairman.*

JULY 3, 1958.

SUMMARY

(Details are on accompanying sheets)

LEAD-ZINC

I. Experience of lead-zinc industry under various provisions of United States trade laws and legislative proposals

1. May 10, 1950, lead industry petitioned for "escape clause" pursuant to Mexican Trade Agreement and Executive Order 9832. Denied by Tariff Commission July 18, 1950, formally dismissed by Commission January 25, 1951. Reason given was that United States had canceled Mexican agreement effective December 31, 1950. Duty on lead temporarily returned to 1930 rate.

2. Early 1951 lead-zinc industry advised Committee on Reciprocity Information against cuts in duty at forthcoming Torquay meeting. Despite this, duty on both lead and zinc was cut at Torquay, effective June 6, 1951. Lead duty had only been restored 5 months before by United States abrogation of Mexican agreement.

3. Industry petitioned the Tariff Commission on February 14, 1951, for a section 336 "difference in cost of production" investigation. Denied by Commission on May 29, 1951. Reason given was that trade agreement rates could not be changed by section 336 action.

4. Lead-zinc industry petitioned the Commission on September 14, 1953, for "escape clause" action under section 7 of Trade Agreements Extension Act of 1951. On May 21, 1954, the Commission unanimously found serious injury and recommended maximum increase in duties.

5. Concurrent with the 1953–54 "escape clause" investigation the Commission conducted a section 332 "general investigation" and on April 19, 1954, forwarded its 356-page report to the Committee on Ways and Means and Committee on Finance.

6. On August 20, 1954, the President declined to implement the recommendations of the Commission and instead initiated defense stockpile purchases and barter acquisitions.

7. Nearly a year ago (May 28, 1957) the Department of Agriculture, by a series of regulations, stopped barter, the major alternate program instituted by the President. August 1, 1957, Office of Defense Mobilization announced defense stockpile goals were nearly met. ODM ceased zinc purchases in April 1958 and has announced lead purchases will cease in June 1958.

8. ODM has stated that due to very large Government stocks of lead and zinc (over 1,250,000 tons of each metal), the industry is not eligible for consideration pursuant to the national security amendment (sec. 7 (b)) of the Trade Agreements Extension Act of 1955.

9. On June 19, 1957, the administration forwarded to the Congress a bill suspending present duties on lead and zinc and substituting a series of import taxes to be effective only if the United States price of lead was below 17 cents and zinc below 14½ cents.

10. Hearings were held on the administration's bill August 1 and 2 (House) and July 22–24, 1957 (Senate). Industry concurred in "peril point" prices of

17 cents and 14½ cents, but said schedule of import taxes inadequate. On the average, proposed schedule was about 25 percent less than 1954 recommendation by Tariff Commission which the President said was insufficient.

11. Following the exchange of letters in August 1957 between the late Mr. Cooper and the President the industry again petitioned the Tariff Commission for "escape clause" action. The petition was filed September 27 and hearings held before the Commission November 19–26, 1957 (T. C. No. 65).

12. In his letter of August 20, 1954, the President stated the maximum increased duties as recommended by the Tariff Commission would have only a minor effect on United States lead-zinc prices and would not reopen United States mines. The industry petition, therefore, requested quotas and increased duties. A complete plan of quotas was submitted to the Commission.

13. On April 24 the Tariff Commission again unanimously found the domestic lead-zinc industry was "suffering serious injury." Three Commissioners recommended reimposition of the 1930 rates of duty and three Commissioners recommended maximum increase in duty and quotas.

14. Under date of June 20, 1958, the President announced he was suspending consideration of the Tariff Commission's recommendations pending Congressional consideration of the proposed minerals stabilization plan (including provisions for lead and zinc) which was submitted by the Secretary of the Interior.

15. Rather than quotas or a combination of tariff and quotas or a stabilization plan with no control of imports the industry continues to believe that a fair and effective answer could be provided by legislation suspending the present duties and in lieu thereof establishing "peril point" market prices 17 cents for lead, 14½ cents for zinc with a 4 cents import tax immediately behind these "peril point" prices. Tax would be payable by importers only if they imported unneeded amounts of lead or zinc and would break the United States market price below these "peril point" prices.

16. Such legislation would increase the flow of trade dollars since importing countries could supply United States needs at much better prices than they are receiving today. While the quantity of import lead and zinc would be less, the prices for needed imports would be greater and would more than offset any decline in volume. This would serve to provide importing countries needed additional dollars with which to purchase other United States commodities and manufacturing products.

II. Comments on lead-zinc statistics

1. For 10 years United States industrial consumption of lead and zinc have been fairly constant at about a 1,100,000 tons per year. During this same period the ratio of lead imports to United States mine production has grown from 58 percent to 150 percent; in the case of zinc increased from 40 percent to 124 percent.

2. During this 10-year period imports of lead have increased from 220,000 tons a year to 500,000 tons a year; zinc imports from 280,000 tons a year to 730,000 tons a year. United States mine production has stayed fairly constant during periods of reasonable prices but has now been curtailed more than 80 percent.

3. The statistics attached herewith are based on "net imports from consumption" which are those used by the Tariff Commission. Statistics are also compiled on the basis of general imports (which include material entering bonded warehouses). Estimates for 1957 would show "general imports" for zinc exceeded 800,000 tons and lead exceeded 580,000 tons.

4. Varying United States market prices during the last 10 years have had very minor, if any, effects on United States industrial consumption of lead and zinc.

5. Unneeded imports caused United States supply of lead and zinc to greatly exceed industrial requirements. Before barter stopped, almost a year ago, large amounts of these excess imports were absorbed by governmental acquisitions.

6. Unneeded imports have forced the price of lead to decline from 16 cents in early 1957 to 11 cents—a drop of 30 percent. Zinc has been forced down from 13½ cents to 10 cents—a decline of 26 percent.

7. The sharp decline in United States mine production has occurred in the second half of 1957 and early 1958. Present annual rate is lower than the depression years of the mid-1930's.

8. Employment in the lead-zinc mining industry has been cut in half. In the 1954 escape clause action Tariff Commission found employment had declined by 9,000 jobs. In its April 1958 decision the Commission found that since January

1957, 4,500 employees had lost their jobs. The present total loss of employment within this industry since January 1952 is now well over 13,000 jobs.

9. While United States prices improved in 1955 and 1956 under the alternative programs initiated by the President (in lieu of accepting the Commission's recommendations), employment did not return to the early 1952 level.

10. During Korea United States prices of lead and zinc were frozen by the Government import duties were suspended subject to reinstatement if the United States price would fall below 18 cents for each metal.

11. During 1957, in contrast to curtailment of United States mine production, imports of lead and zinc were exceedingly high—in the case of zinc reached all-time record levels.

12. While United States mine production has been curtailed 30 percent, foreign mine production has not declined substantially. Noteworthy during the severe price break of 1953–54 (the time of the prior Tariff Commission recommendations) mine production, outside the United States, did not decline and, in fact, increased despite low prices.

13. Stocks of refined unsold lead and zinc at domestic plants are over 420,000 tons.

14. Calculations show that the 4 major importing countries (Canada, Mexico, Peru, Australia) are actually losing dollar exchange revenue by flooding United States market with unneeded metal.

MEMORANDUM—LEAD-ZINC

I. Details of experience of lead-zinc industry under various provisions and procedures of United States trade laws and legislative proposals.

1. On May 10, 1950, the lead mining industry petitioned the Tariff Commission for "escape clause" action. This petition was filed in accordance with Article XI of the Trade Agreement with Mexico (1943) and with the provisions of Executive Order 9832 (1947) which first established the Commission's "escape clause" procedures. On July 18, 1950, the Commission informed the industry that no consideration would be given to this "escape clause" petition because the Mexican agreement was being canceled by the United States effective December 31, 1950. The industry's petition was formally dismissed by the Commission on January 25, 1951. With the cancellation of the Mexican agreement the 1930 duty on lead was temporarily restored.

In spite of presentations in early 1951 by the lead-zinc industry before the Committee for Reciprocity Information in preparation for the trade agreements negotiations at Torquay, the duty on lead, which had been restored only 5 months before by abrogation of the Mexican agreement, was cut to its prior level on June 6, 1951. In addition, the duty on zinc was also cut at Torquay on the same date.

3. On February 14, 1951, the lead mining industry made application to the Tariff Commission under the provisions of section 336 of the Tariff Act of 1930 for an investigation of the differences in the cost of production of lead in the United States and foreign countries. The Commission, on May 29, 1951, dismissed this petition and advised the industry that trade agreement rates could not be changed by action under the provisions of section 336.

4. On September 14, 1953 the lead-zinc industry petitioned the Tariff Commission for escape-clause action under section 7 of the Trade Agreements Extension Act of 1951. Hearings were held during November 1953. On May 21, 1954, the Commission made a unanimous finding that serious injury was resulting from excessive imports and recommended maximum permissible increase in duties.

5. Concurrent with this 1953–54 escape-clause action, by resolution of the House Ways and Means Committee (July 29, 1953) and the Senate Finance Committee (July 27, 1953), the Commission also conducted a general investigation in accordance with the provisions of section 332 of the Tariff Act of 1930. This was transmitted to the Committee on Ways and Means and to the Committee on Finance on April 19, 1954, and is a 356-page volume with a detailed analysis of the economic conditions and pertinent statistics concerning the lead-zinc industry of the United States.

6. On August 20, 1954, President Eisenhower advised the Committee on Ways and Means and the Committee on Finance that he would not implement the unanimous recommendations of the Tariff Commission in their May 21, 1954, report

(T. C. No. 27). In lieu of accepting the Commission's recommendations the President instituted increased defense stockpile purchases of these two metals and subsequently initiated barter. The President further stated that he was directing the Secretary of State to seek recognition by foreign countries who were principle importers that they would not take any unfair advantage of his alternative programs. However, the record now shows that imports for consumption did not decline and, in fact, have increased since the President's letter.

7. In a series of regulations issued May 28, 1957, the Department of Agriculture essentially stopped all bartering in lead and zinc, which was the major alternate program instituted by the President. In testimony before the Ways and Means Committee last August 1, Mr. Gordon Gray, Director of the Office of Defense Mobilization, announced that the defense stockpile goals for lead and zinc had almost been met and that purchases would cease in the very near future. This statement was again repeated by Mr. Gray in his testimony before the House Appropriations Subcommittee during February 1958. ODM announced that April 1958 was the last month it will purchase zinc and lead buying was scheduled to be stopped at the end of June.

8. Testimony was also presented to the Committee on Ways and Means by Mr. Gray on August 1, 1957, and repeated on February 18, 1958, that the lead-zinc industry is not eligible to seek relief under the national security amendment escape clause (sec. 7 (b)) of the Trade Agreements Extension Act of 1955. He stated the reason for his decision was the existence of very large stocks of both metals in the hands of the Government which were acquired by the two alternative programs instituted by the President when he declined to follow the recommendations of the Tariff Commission. It is estimated that there are now in excess of 1,250,000 tons of each of these metals in the defense and the supplemental stockpiles.

9. In his letter to the two congressional committees of August 20, 1954, the President concluded by stating that if the action he was taking, instead of following the Commission's recommendations, did not accomplish the objectives he sought that he "will be prepared early next year to consider even more far-reaching measures, and to make appropriate recommendations to the Congress." On June 19, 1957, Secretary of the Interior Seaton forwarded to the Congress a bill providing for the suspension of present duties and substituting a series of import excise taxes which would be effective only if the price of lead was below 17 cents and the price of zinc below 14½ cents.

10. Hearings were held August 1 and 2, 1957 before the Committee on Ways and Means on H. R. 8257 (and similar bills for an import excise tax on lead and zinc). Hearings were also held on a companion bill, S. 2376, by the Committee on Finance on July 22–24, 1957. The United States lead-zinc mining industry concurred in the proposed peril-point market prices of 17 cents lead and 14½ cents zinc. It also pointed out, however, that the proposed schedule was wholly inadequate to sustain the peril-point prices. The proposed schedule for zinc was, on an average, about 40 percent less than the Tariff's Commission's 1954 recommendations; for lead, on an average, about 20 percent less. In only one instance was the proposed schedule greater than the Commission's recommendations—that was for lead, and then was only 45/100 cents more than the Commission's report. In the President's letter of August 20, 1954, he cited as one of the reasons for not implementing the Commission's findings was that the maximum permissible increase in duty was insufficient to reopen closed mines and would have only a minor effect on United States prices.

11. Following the exchange of letters between the late Mr. Cooper, Chairman of the Way and Means Committee (August 16, 1957), and President Eisenhower (August 24, 1957), the Emergency Lead-Zinc Committee again petitioned the Tariff Commission for escape-clause action. The petition was filed September 27, 1957, and hearings were held November 19–26, 1957.

12. Commenting on the Commission's May 21, 1954 (T. C. No. 27) recommendation for maximum permissible increase in duties, the President stated in his letter of August 20, 1954 that the increase in duty would probably only have a minor effect on the United States price of lead and zinc. He also said it was "questionable whether the tariff action would have any important consequences in reopening closed mines." In the 1957–58 case (T. C. No. 65) the United States industry petitioned the Commission not only for increased duties, but also for quotas. A complete quota plan was submitted to the Commission.

13. On April 24, 1958, the Tariff Commission again unanimously found that the domestic lead-zinc industry was suffering serious injury. Three Commis-

sioners recommended reimposition of the 1930 rate of duty and three Commissioners recommended the maximum increase in duty (50 percent above the 1945 rate) and also recommended the imposition of absolute quotas.

14. At the conclusion of the 60-day period, as provided in the present Trade Agreements Act, the President advised the Chairman of the Senate Finance Committee and the chairman of the Ways and Means Committee that he was "suspending consideration" of the Commission's recommendations. The President further stated that a final decision would be appropriate after the Congress had completed its consideration of the proposed minerals stabilization plan which was submitted by Secretary of the Interior Seaton.

15. Rather than quotas or a combination of quota and duty or a stabilization plan with no control of imports the industry continues to believe that a fair and effective solution can be provided by legislation suspending present duties and, in lieu thereof, establishing peril-point prices of 17 cents for lead and 14½ cents for zinc with a 4-cent import tax. Such tax would be payable by importers only if unneeded imports forced United States prices down to below 17 cents and 14½ cents. At these prices, or above them, needed imports would enter the United States free of any duty or tax whatsoever.

II. Comments on attached statistics concerning lead-zinc

NOTE.—Attached statistical data is current to January 1, 1957 and conforms to prior submissions to Committee on Ways and Means (August 1, 1957, and March 20, 1958); Committee on Finance (July 22, 1957), and United States Tariff Commission (November 19, 1957).

1. During the period (1947–57) industrial consumption of lead has been relatively stable at about 1,200,000 tons a year. Likewise, industrial consumption of zinc has remained fairly constant at about 1,100,000 tons a year. In this same period, however, the ratio of net imports of lead to United States mine production of lead has increased from 58 percent to 150 percent and in the case of zinc increased from 40 percent to 124 percent (see tables L–1 and Z–1).

2. During this period annual net imports of lead have increased from 220,000 tons a year to 500,000 tons a year and zinc imports from 280,000 tons a year to 730,000 tons a year. United States mine production has dropped from about 400,000 tons of lead to 330,000 tons and zinc has declined from 640,000 tons to 520,000 tons (see tables L–1 and Z–1).

3. The statistics for imports submitted herewith are based on net imports for consumption as reported by the United States Bureau of Customs and are those used by the Tariff Commission. Statistics are also compiled on the basis of general imports which includes material which enters bonded warehouses. Estimates for 1957 would show, on the basis of general imports, that zinc exceeded 800,000 tons and lead exceeded 580,000 tons.

4. During the last 10 years, United States prices of lead-zinc have had very little, if any, effect on United States consumption. Average yearly price for lead has varied from over 18 cents to slightly over 13¼ cents but consumption was about constant. Zinc's average yearly price also has varied from 18 cents to slightly over 10¾ cents with very little difference in consumption. Moreover, the price of consumer products containing lead or zinc do not reflect variation in the basic price. As an example, the retail price for lead storage batteries (which account for over 30 percent of United States lead consumption) increased in early 1958 in spite of the fact that the price of lead has declined 25 percent.

5. During the 6 years (1952–57) supply of lead in the United States exceeded industrial requirements by 18 percent and, in the case of zinc, supply exceeded demand by 16 percent due to excessive imports (see tables L–2 and Z–2). Until a year ago, when barter was stopped, large amounts of these excess imports were absorbed by supplemental stockpile acquisitions.

6. Since the time when barter ceased 10 months ago, United States lead-zinc prices have declined drastically. Except for the period in 1954 (coinciding with the Commission's prior unanimous report) United States prices have now declined to their lowest level since mid-1950 (see tables L–8 and Z–8). Unneeded imports have forced lead to decline from 16 cents down to 11 cents—a drop of 30 percent. Zinc has been forced down from 13½ cents to 10 cents—or a 26 percent decline.

7. During the first 4 months of 1957, United States mine production of lead was at a rate of 365,000 tons a year. During the last 4 months of 1957 it was at a rate of only 298,000 tons a year. This is a decline of 67,000 tons or an 18 percent loss in United States mine production. The same has occurred in the case of zinc. During the first 4 months of 1957 United States mine production

was at a rate of 508,000 tons a year. With the break in price this production declined very sharply and during the last 4 months was at an annual rate of only 430,000 tons. This is a loss of 168,000 tons annually and a decline of over 28 percent (see tables L–5 (a) and Z–5 (b)). Further domestic curtailments during the first quarter of 1958 indicate that current United States mine production has now declined to an annual rate of 270,000 tons of lead and 400,000 tons of zinc.

8. In its decision in the May 1954 escape-clause action, the Tariff Commission found that employment in lead and zinc mines had declined from 20,000 on January 1, 1952, to 17,000 on October 1953—or a loss of almost 9,000 jobs in the industry during this period. In its April 1958 decision, the Tariff Commission found that since January 1957, 4,500 employees have lost their jobs. Continued curtailment and shutdowns since the Tariff Commission's date of this filing (October 1957) now reveal that jobs in the industry have been cut in half as employment in lead-zinc mining has declined some 20,000 to now less than 18,000.

9. Prices improved in 1955 and 1956 under the conditions of the President's directives of August 20, 1954. However, employment did not return to the early 1952 figures since United States mine production of lead and zinc was 160,000 tons less in 1956 and 200,000 tons less in 1957 than production figures for 1952 (see tables L–1 and Z–1).

10. During the Korean conflict United States prices of lead and zinc were controlled by the Government and the import duties were suspended subject to automatic reinstatement should the United States price fall below 18 cents (see tables L–7 and Z–7).

11. During 1957, in contrast with the decline in United States mine production, imports of both lead and zinc continued during the year at very high levels—in the case of zinc, imports reached an alltime high (see tables L–10 and Z–10).

12. While the 1957 figures are not yet available for foreign mine production it is noteworthy that during the severe 1953–54 price break free world production, outside the United States, did not decline and, in fact, increased substantially despite very low prices (see tables L–4 and Z–4).

13. Inventory stocks of refined lead at domestic plants increased during 1957 from 159,000 tons at the beginning of the year to 208,000 tons on January 1, 1957 (see table L–9). Similarly in the case of zinc inventory stocks at domestic smelters have increased from 67,000 tons on January 1, 1957, to 107,000 tons on January 1, 1958 (see table Z–9). During the first quarter of 1958 stocks of both metals have continued to increase—zinc stock were rently reported at over 242,000 tons.

14. A calculation it attached to indicate that the four major importing countries (Canada, Mexico, Peru, Australia) are actually losing dollar exchange revenue by flooding United States markets with unneeded metal and forcing severe price declines. If these four major importers would have exported to the United States 85 percent of their actual 1957 tonnage and if such curtailment in the United States market would have maintained the peril-point prices proposed in legislation sent to the Congress last summer by the administration, they would have increased their trade revenue by $26 million over conditions of 1957. Based on March 1, 1958, prices, this increase could have been almost $57 million. This calculation shows that foreign producers would be in a more favorable position in terms of United States dollar revenue if they would import the amount of lead and zinc needed to supplement United States mine production rather than import excessive amounts which places United States supply and demand badly out of balance and forces a drastic decline in United States prices.

EMERGENCY LEAD-ZINC COMMITTEE,
C. E. SCHWAB,
Chairman, Care of American Mining Congress, Ring Building, Washington, D. C.

The following letter to Chairman Harry F. Byrd, Committee on Finance; and to Chairman Wilbur D. Mills, Committee on Ways and Means, was released by the United States Tariff Commission on June 20, 1958:

JUNE 19, 1958.

DEAR MR. CHAIRMAN: 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 Commission was evenly divided on its recom-

mendation for remedial action. 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. A final decision will be appropriate after the Congress has completed its consideration during this session of the proposed minerals stabilization plan which was submitted by the Secretary of the Interior with my approval. This plan offers a more effective approach to the problems of the domestic lead and zinc industries, and in view of their urgent needs, it is hoped that the Congress will act expeditiously on this plan to help assure a healthy and vigorous minerals industry in the United States.

Sincerely,

DWIGHT D. EISENHOWER.

AUGUST 24, 1957.

THE WHITE HOUSE

The White House today released the following letter from the President to the chairman of the Ways and Means Committee of the House of Representatives:

Hon. JERE COOPER,
Chairman, Ways and Means Committee,
House of Representatives, Washington, D. C.

DEAR MR. CHAIRMAN: I appreciate having your letter concerning the administration's proposal for sliding-scale import excise taxes on lead and zinc. It is gratifying to know that your committee is giving attention to the distressed condition of the lead and zinc mining industries.

In 1954, as you pointed out, the Tariff Commission recommended higher duties for lead and zinc under the escape clause of the Trade Agreements Extension Act of 1951. But other means were available at that time both to meet the public need and afford the relief immediately necessary. Such means were found in the program of increased purchases of domestic ores for the stockpile and the barter of surplus agricultural commodities in exchange for foreign lead and zinc. These programs had the advantage of increasing our inventories of these materials as a security measure while, at the same time, removing price depressing excess supplies from the domestic and world market. Recently, however, the attainment of our stockpile goals has necessitated adjustments in these programs, and the problem of distress has reappeared.

As I indicated in my press conference on August 21, my view with respect to maintaining the integrity of section 7 of the Trade Agreements Extension Act of 1951 is at one with yours and, I am sure, with that of all the members of the House Ways and Means Committee. H. R. 6894, as you know, is the sole exception proposed by this Administration in over 4½ years. In view of this fact, I think you will agree that such exceptions are not proposed lightly.

The special circumstances of this case that suggest the desirability of following the legislative route were set forth by administration witnesses before both your committee and the Senate Finance Committee.

It is understood, of course, that the initiation before the Tariff Commission of an escape-clause proceeding by the industry is available in the last instance. It is my understanding that the industry will take such course if the Congress does not pass the requested legislation. In that event, I would request the Tariff Commission to expedite its consideration of the matter.

You mentioned the possibility of relief through the national security amendment of the Trade Agreements Extension Act of 1955. Although a continuously productive mining industry is of fundamental importance to the national security, it is deemed appropriate in present circumstances to invoke the relief afforded by the escape clause of the Trade Agreements Extension Act of 1951 if the Congress does not enact H. R. 6894. The importance of this industry to a strong national defense should, however, not be overlooked.

I share your belief that expansion of foreign trade is in the best interests of the United States and I reiterate my conviction that such an objective can best be implemented by reciprocal trade agreements programs.

Sincerely,

DWIGHT D. EISENHOWER.

[Press release August 16, 1957]

CHAIRMAN JERE COOPER OF THE COMMITTEE ON WAYS AND MEANS RELEASES A LETTER TO THE PRESIDENT RELATIVE TO THE ADMINISTRATION'S PROPOSAL FOR A SLIDING SCALE OF IMPORT EXCISE TAXES ON LEAD AND ZINC

Chairman Jere Cooper, Democrat of Tennessee, Committee on Ways and Means, released the attached letter which was delivered today to the President relative to the administration's proposal for the imposition of a sliding-scale of import excise taxes on lead and zinc.

In the letter, Chairman Cooper points out that the President not only has ample authority under existing trade agreements legislation to provide whatever relief he may deem necessary to the lead and zinc industries but that can do so in a more expeditious manner than is provided in the administration's proposal which it submitted to the Congress.

Chairman Cooper stated that the other 14 Democratic members of the Committee on Ways and Means concur fully in the letter.

In the letter to the President, Chairman Cooper states:

"I sincerely urge you to personally review the situation in the lead and zinc industries and the proposal submitted to the Congress. Upon such a review, I am sure you will be convinced, as I am, that you do have ample authority to provide such relief as you deem necessary in the national interest to the lead and zinc industries. I am also confident that you will agree that to bypass the existing provisions of our trade agreements law will undermine the trade agreements program."

Chairman Cooper was here referring to the escape clause provision and the national security amendment. He points out that the administration has not made recourse to these existing provisions.

The letter also refers to the unanimous finding of the Tariff Commission in 1954 that duties be increased on lead and zinc, which was rejected by the President, who gave among other things, the reason that the proposed relief did not meet the needs of these industries. The letter points out that the instant proposal is almost identical to the Tariff Commission's recommendation. Reference is also made to the fact that the State Department submitted a strongly adverse report on almost an identical proposal which was pending before the Committee on Ways and Means in 1953. Chairman Cooper reminds the President that the proposal to provide relief by legislation to the lead and zinc industries is just one of many proposals now pending before the Committee on Ways and Means, and states:

"I am confident that you would not want to see the Congress bypass and undermine your present authority under the trade agreements legislation by acting on individual items."

Chairman Cooper made it clear that in making these statements he does not intend to imply that the lead and zinc industries may not need relief.

AUGUST 16, 1957.

The PRESIDENT,
The White House.

MY DEAR MR. PRESIDENT: I am writing to you in connection with the proposal of the Honorable Fred A. Seaton, Secretary of the Interior, on behalf of the Administration, for the enactment of sliding-scale import excise taxes on lead and zinc.

Although the communication from Secretary Seaton on this subject was not received by the Committee on Ways and Means until June 19, 1957, at a time when the session was far advanced and the committee was diligently following an agenda previously detremined by it, due to the importance of the subject and due to conditions in the lead and zinc industry as depicted by the communication of the Secretary, the committee broke into its agenda and conducted hearings on August 1 and 2, 1957.

I have now had time to carefully review and study the testimony which was presented to the committee at the public hearing on this important subject. It is my sincere conviction that you already have authority, previously delegated to you by the Congress in the trade agreements legislation, to afford relief to domestic industries from import competition in appropriate cases. The testimony of your representatives at the public hearings, in conjunction with the written recommendation of the Secretary of the Interior, indicates that the lead and zinc industries properly constitute such a case in the opinion of the administra-

tion. The testimony further shows that your present authority is adequate to afford the relief which you have recommended to the Congress.

As you will recall, one of the principal purposes of the so-called escape-clause provision (section 7 of the Trade Agreements Extension Act of 1951) and the national-security amendment (section 7 of the Trade Agreements Extension Act of 1955) was to afford you an avenue under which you can provide relief from import competition to domestic industries according to the procedures and standards set forth therein. As may further be recalled, the Committees of the Congress and the Congress in past years have devoted much time, thought, and attention to providing you with these powers so that our domestic industries can be afforded protection in appropriate cases and so that the national interest can be served by presidential action without resort to further legislation.

It is clear that in this instance you have not made recourse to existing administrative procedures which are available to provide relief to these industries. In addition you have not advised the Congress that your existing authority under the escape clause and the national security amendment is inadequate in these matters generally, although a subcommittee of the Committee on Ways and Means last fall specifically called upon the administration for any recommendations which it might have for modifying or strengthening these provisions of existing legislation.

The testimony presented to the Committee on Ways and Means during the course of the public hearings on August 1 and 2, 1957, indicated that the proposal for a sliding-scale import excise tax on lead and zinc is almost identical in major respects with the recommendations of the Tariff Commission made to you under the lead and zinc escape clause proceeding in 1954. You rejected this recommendation, stating among other things, that the proposed relief did not meet the needs of these industries. The testimony of your represetnatives further indicated that the situation today in the lead and zinc industries is substantially the same as it was at the time of the escape-clause investigation by the Tariff Commission and your rejection of the unanimous finding of the Tariff Commission.

The testimony at the public hearings also clearly showed that the proposal which the Secretary of the Interior now recommends on behalf of the administration is almost identical in effect to a proposal that was before the Committee on Ways and Means in 1953 and on which a strongly adverse report was submitted by the State Department. The State Department set forth 10 reasons why this proposal was inadvisable and contrary to the national interest. This report was made a part of the recent public hearings.

The proposal which the administration has now recommended would not become effective, in event of its enactment, until January 1, 1958. Yet under the national-security amendment any relief found appropriate could be put into effect by you almost immediately. Also, under the escape clause I see no reason why you cannot direct the Tariff Commission to report to you within a stated time as to measures which it may deem appropriate for relief of these industrties, and I see no reason why you could not have done so on June 19, the date of the proposal, or even earlier for that matter. It is clear from the testimony presented to our committee, aside from the merits of the proposal, that relief can be afforded by you much more speedily than would be the case even with enactment of the proposal..

As you of course know, I have been a strong and consistent supporter of the reciprocal trade agreements program since the inception of the program in 1934. I have consistently supported and worked for proposals which you have made to continue our foreign trade policies, including, for example, your proposal during the last Congress and in this Congress for approval by the Congress for membership in OTC.

You have gone on record strongly supporting the reciprocal trade agreements program. At your request the Congress has provided three extensions of your authority during your administration. An important consideration of the Congress in providing these extensions was the fact that should trade agreements concessions result in such import competition that domestic industries are injured or are threatened with injury you would have the authority where it is in the national interest to relieve domestic industries of such injury.

I cannot refrain from expressing to you my very great concern as to the impact of a proposal such as the one which your Administration has made concerning lead and zinc on the whole structure of the trade-agreements program. In stating this, I do not intend to imply that the lead and zinc industries may not

need relief. My concern is due to the fact that this proposal would completely bypass existing authority given you in present trade-agreements legislation. You are asking the Congress to do that which you already have ample authority to do. The authority which you have is not selective, but broad and general, and applies to any and all industries which are injured or threatened with injury as a result of trade-agreements concessions. I am sure you are aware of the fact that there are many other industries that are asking for relief from import competition. Among these are textiles, velveteen and ginghams, tunafish, hardwood-plywood, stainless steel flatware, fluorspar, natural gas, petroleum, and many others. There are numerous bills now pending before the Committee on Ways and Means which would provide relief from import competition on the above specified items and many additional ones. I am confident that you would not want to see the Congress bypass and undermine your present authority under trade-agreements legislation by acting on individual items.

I sincerely urge you to personally review the situation in the lead and zinc industries and the proposal submitted to the Congress. Upon such a review, I am sure you will be convinced, as I am, that you do have ample authority to provide such relief as you deem necessary in the national interest to the lead and zinc industries. I am also confident that you will agree that to bypass the existing provisions of our trade-agreements law will undermine the trade-agreements program.

I can only observe in closing that there is considerable sentiment that, in the absence of your exercising such authority as you may have for an expansion of our foreign trade and the protection of domestic industries, the Congress will be forced to study again the delegation of authority made to you under the trade-agreements legislation. This is an eventuality which neither you nor I would contemplate with equanimity.

The other 14 Democratic Members of the Committee on Ways and Means concur with me in this letter.

Very cordially yours,

JERE COOPER,
Chairman, Committee on Ways and Means.

[For release August 23, 1954]

UNITED STATES TARIFF COMMISSION,
Washington.

PUBLIC INFORMATION

WHITE HOUSE STATEMENT CONCERNING THE PRESIDENT'S ACTION ON LEAD AND ZINC

There is reproduced below the White House announcement concerning the President's action on the Tariff Commission's report with respect to lead and zinc:

* * * * * * *

[Immediate release, August 20, 1954]

JAMES C. HAGERTY,
Press Secretary to the President.

THE WHITE HOUSE

The President today outlined an expanded stockpiling program for strengthening the lead and zinc industry as an integral part of the Nation's defense mobilization base. The President took this action in lieu of accepting the recommendations of the United States Tariff Commission for an increase in the duty on imports of these two metals.

In letters to the chairman of the Senate Finance Committee and the House Ways and Means Committee describing his program and explaining his decision on the Tariff Commission's recommendations, the President said that "a serious question exists as to the magnitude of the direct benefits that could be expected from the recommended tariff increases" and that "since the benefits to be derived from an increase of the tariff on lead and zinc are so uncertain, I am not prepared to seek them at the expense of the serious adverse consequences that would follow for our international relations."

The President stated that he is "taking affirmative steps at this time to strengthen and protect our domestic mobilization base for lead and zinc."

These steps are:

1. Increased purchases at market prices of newly mined domestic lead and zinc under the long-term stockpile program. In this fiscal year the Government could purchase up to 200,000 tons of lead and 300,000 tons of zinc.

2. The acquisition of lead and zinc of foreign origin for the supplemental stockpile authorized by the recently enacted Agricultural Trade Development and Assistance Act.

3. Action by the Secretary of State to seek recognition by the foreign countries which are principal suppliers of lead and zinc that this increased stockpile buying is designed to help domestic production.

The President said, "The outlook for lead and zinc is improved." He noted that there were some excess stocks at present but said that "it appears that these inventories can be reduced by stockpiling purchases together with a high rate of consumption which is indicated by the general economic outlook." "In addition," the President said, "the volume of imports thus far this year has been considerably lower than the rate during 1953."

The President concluded his letters by saying that if the course of action he is taking does not accomplish the objectives he seeks, he "will be prepared early next year to consider even more far reaching measures, and to make appropriate recommendations to the Congress."

The text of the President's letters to Chairman Milliken of the Senate Finance Committee and Chairman Reed of the House Ways and Means Committee is as follows:

DEAR MR. CHAIRMAN: In my letter to you of July 19, 1954, I indicated that I was extending somewhat the period of my consideration of the recommendations of the United States Tariff Commission with respect to the escape clause investigation relating to lead and zinc.

Readjustment from war-stimulated levels of prices and production has imposed severe strain on many segments of mining, agriculture and industry. In the case of lead and zinc this readjustment has produced unemployment for miners in some areas and hardships for their families. Some communities in mining States are distressed. An adequate mobilization base is not being maintained.

During the past several weeks, I have held many long meetings with Cabinet officers, members of the Congress, and other informed persons. It is my belief that we must maintain a strong and vigorous domestic mining industry for the production of strategic and critical materials which have important defense uses, and that this should be done in a manner consistent with our general economic and foreign policy objectives.

After a thorough review of the lead-zinc problem, I am convinced that a serious question exists as to the magnitude of the direct benefits that could be expected from the recommended tariff increases. The increase in duties would probably have only a minor effect on the price of lead and zinc in this country. There is a real question as to whether the tariff action would have important consequences in reopening closed mines. Moreover, the increase in the tariff would most likely depress the prices of these metals outside the United States.

Since the benefits to be derived from the increase of the tariff on lead and zinc are so uncertain, I am not prepared to seek them at the expense of the serious adverse consequences that would follow for our international relations. Lead and zinc are important to several key countries in areas of vital interest. Moreover, it must be recognized that our economy requires su[illegible]tantial quantities of imported lead and zinc to augment domestic production in peacetime, and that the United States relies on nearby friendly nations to assist us in meeting fully our mobilization requirements in wartime.

The Tariff Commission has made a thorough study of the lead and zinc problem but I recognize that it must necessarily confine its consideration within a limited field. Accordingly, after a careful weighing of all of the factors involved in this complex situation, I have decided that to implement the recommendations of the Tariff Commission would not meet the problem nor be in the public interest. However, I am taking affirmative steps at this time to strengthen and protect our domestic mobilization base for lead and zinc.

I am directing the Director of the Office of Defense Mobilization to increase purchases at market prices of newly mined domestic lead and zinc under the long-term stockpile program. The Government is in a position where it could purchase in this fiscal year up to 200,000 tons of lead and 300,000 tons of zinc.

I am likewise directing the Secretary of Agriculture to initiate action designed to acquire lead and zinc of foreign origin, from the proceeds of foreign sales of surplus agricultural commodities, for the supplemental stockpile authorized by section 104 of the Agricultural Trade Development and Assistance Act of 1954. This supplemental stockpile is intended to be above and beyond the needs of our regular stockpiles under the Stockpiling Act, and the materials in the supplemental stockpile will also be insulated to be released only under stringent statute.

In addition, I am directing the Secretary of State to seek recognition by the foreign countries which are principal suppliers of lead and zinc that this increased stockpile buying is designed to help domestic production and that they will not themselves seek to take any unfair advantage of it.

It is my belief that the above actions will help bring about the attainment of market prices for lead and zinc that are sufficient to maintain an adequate domestic mobilization base.

The outlook for lead and zinc is improved. There have been some increases in prices since early in the year. There are some excess stocks at present, notably in the case of zinc, but it appears that these inventories can be reduced by stockpiling purchases together with a high rate of consumption which is indicated by the general economic outlook. In addition, the volume of imports thus far this year has been considerably lower than the rate during 1953.

If the course of action above outlined has not accomplished the objectives we seek, I will be prepared early next year to consider even more far-reaching measures, and to make appropriate recommendations to the Congress.

Sincerely,

DWIGHT D. EISENHOWER.

The following calculation on lead-zinc imports into the United States indicates that were these countries to continue flooding United States markets with imports in 1958 at the 1957 rate, and were 1958 prices to prevail at their current level throughout the year, exchange derived from sale of this large tonnage would decrease by about $30 million. It further indicates that a reduction of 15 percent in deliveries would increase dollar revenue by $26 million over 1957 if such a reduction would result in maintaining prices at the administration's peril points.

	1957			1957 imports at 1958 prices			85 percent of 1957 imports		
	Short tons	Price less duty (cents)	United States market value	Short tons	Mar. 1 price less duty (cents)	United States market value	Short tons	Peril point (no duty) (cents)	United States market value
Canada:									
Lead	53,800	13.6	$14,634,000	53,800	11.94	$12,900,000	45,700	17.0	$15,500,000
Zinc	262,200	10.7	56,111,000	262,200	9.30	48,700,000	222,000	14.5	63,400,000
Total			70,745,000			61,600,000			78,900,000
Mexico:									
Lead	106,000	13.6	28,832,000	106,000	11.94	25,300,000	90,000	17.0	30,600,000
Zinc	216,100	10.7	46,245,000	216,100	9.30	40,200,000	184,000	14.5	53,400,000
Total			75,077,000			65,500,000			84,000,000
Peru:									
Lead	90,400	13.6	24,589,000	90,400	11.94	21,600,000	77,000	17.0	26,200,000
Zinc	141,700	10.7	30,344,000	141,700	9.30	26,400,000	120,000	14.5	34,800,000
Total			54,933,000			48,000,000			61,000,000
Australia:									
Lead	132,500	13.6	36,040,000	132,500	11.94	31,600,000	113,000	17.0	38,400,000
Zinc	18,300	10.7	3,916,000	18,300	9.30	3,400,000	16,000	14.5	4,600,000
Total			39,956,000			35,000,000			43,000,000
Total:									
Lead	382,700		104,095,000	382,700		91,400,000	325,700		110,700,000
Zinc	638,300		136,616,000	638,300		118,700,000	552,000		152,200,000
Total tonnage	1,021,000		240,711,000	1,021,000		210,100,000	857,700		266,900,000

STATISTICAL SUMMARY, MARCH 1958

EMERGENCY LEAD-ZINC COMMITTEE

TABLE L–1.—*Unmanufactured lead—United States production, foreign trade, consumption, ratios of net imports to production and consumption, and average market prices, 1938–57*

[In short tons of lead content]

	Production			Imports for consumption			Domestic exports [2]	Net imports	Lead consumption [4]	Ratio net imports to production	Ratio net imports to consumption	Average market price [5]
	Mine output [1]	Secondary [3]	Total	Ores	Refined, etc.	Total [3]						
1938	369,726	(6)	(6)	26,593	10,017	36,610		[7] 35,000	546,000	9.5	6.4	4.739
1939	413,979	210,800	624,779	34,392	61,299	95,691		[7] 90,000	667,000	21.7	13.5	5.053
1940	457,392	226,583	683,975			130,384			782,000			5.179
1941	461,426	380,280	841,706			439,062			1,050,000			5.703
1942	496,239	308,588	804,827	88,094	438,335	526,429	[7] 4,000	522,429	1,043,000	105.3	50.1	6.482
1943	453,313	310,713	764,026	83,449	252,148	335,597	4,000	331,597	1,113,000	73.1	29.8	6.500
1944	416,861	289,933	706,794			338,131			1,119,000			6.500
1945	390,831	309,849	700,680			331,605			1,052,000			6.500
1946	335,475	344,543	680,018	28,757	108,076	136,833	2,000	134,833	956,000	40.2	14.1	8.109
1947	384,221	444,578	828,799	47,152	178,652	225,804	5,000	220,805	1,172,000	57.5	18.8	14.673
1948	390,476	432,733	823,209	33,976	297,818	331,794	1,279	330,515	1,133,895	84.6	29.1	18.043
1949	409,908	364,140	774,048	122,224	292,857	415,081	4,396	410,685	957,674	100.2	42.9	15.364
1950	430,527	427,520	858,347	96,124	469,152	565,286	5,343	559,943	1,237,981	130.0	45.2	13.296
1951	388,164	441,658	829,822	32,340	196,953	228,293	3,473	224,820	1,154,793	58.0	19.0	17.500
1952	390,161	411,831	801,992	109,174	535,043	644,217	3,665	640,552	1,130,795	164.2	56.6	16.467
1953	342,644	428,750	771,394	67,409	389,648	457,057	5,118	451,939	1,201,604	131.9	37.6	13.480
1954	325,427	424,987	750,414	197,167	285,656	482,823	5,227	477,596	1,209,330	146.8	39.5	14.054
1955	338,025	449,186	787,211	156,877	296,497	453,374	4,234	449,140	1,212,644	132.9	37.0	15.138
1956	352,826	445,516	798,342	196,182	291,643	487,825	7,975	479,850	1,209,717	136.0	40.0	16.013
1957 [7]	333,492	440,000	773,492	200,000	305,000	505,000	5,550	499,450	1,145,000	149.8	43.6	14.660

[1] Represents recoverable metal content of domestic ores, concentrates, and tailings.
[2] Represents lead recovered in all forms from old scrap.
[3] Represents lead in ores, concentrates, flue dust, and mattes; lead bullion; lead pigs and bars; reclaimed and scrap lead; antimonial lead and type metal; miscellaneous lead alloys.
[4] Represents all unmanufactured lead consumed from primary and secondary sources including lead in alloys and lead in ores consumed directly in the manufacture of lead pigments and salts as reported to the U. S. Bureau of Mines. These data do not include withdrawals for the strategic Government stockpile.
[5] Average New York price of common lead as reported by E. & M. J.
[6] Not available.
[7] Estimates.

Source: U. S. Bureau of Mines. U. S. Department of Commerce.

LEAD—SUPPLY AND CONSUMPTION IN UNITED STATES AND IN FREE WORLD

TABLE L–2.—*Lead, in the United States*

	1952	1953	1954	1955	1956	Estimate, 1957
Supply, primary lead:						
Domestic mine production, short tons, recoverable lead	390,161	342,644	325,427	338,025	352,826	333,492
Imports for consumption:						
Ores (recoverable content)	109,174	67,409	197,167	156,877	196,182	200,000
Pig lead, etc	535,043	389,648	285,656	296,497	291,643	305,000
Total	644,217	457,057	482,823	453,374	487,825	505,000
Total supply	1,034,378	799,701	808,250	791,399	840,651	838,492
Distribution, primary lead:						
Consumption of all lead	1,130,795	1,201,604	1,209,330	1,212,644	1,209,717	1,145,000
Less consumption of secondary lead	−471,294	486,737	480,925	502,051	510,820	495,000
Total, minus secondary consumption of primary lead	659,501	714,867	728,405	710,593	698,897	650,000
Exports	3,665	5,118	5,227	4,234	7,975	5,550
Total distribution	663,166	719,985	733,632	714,827	706,872	655,550
Difference (excess in each year), totaling 918,839 for 6 years) [1]	371,212	79,716	74,618	76,572	133,779	182,942

[1] Of this difference industry stocks accounted for approximately 46,695 tons. In the United States supply was in excess of industrial requirements in the 6-year period by 918,839 tons or 18.0 percent. Yearly oversupply was as follows: 1952, 35.9 percent; 1953, 10.0 percent; 1954, 9.2 percent; 1955, 9.7 percent; 1956, 15.9 percent; and 1957, 21.8 percent.

TABLE L–3.—*Lead, 1954 to mid-1957: Free world mine production, free world consumption primary lead, and free world excess production*

	1954	1955	1956
Supply:			
United States mine production	[1] 325,419	[1] 338,025	[1] 352,826
Estimated free world production outside the United States	[2] 1,513,232	[2] 1,576,039	[2] 1,555,974
Total free world supply	1,838,651	1,914,064	1,908,800
Industrial demand:			
United States consumption of primary lead (total consumption less secondary lead)	[1] 613,946	[1] 710,593	[1] 679,153
Estimated free world consumption outside the United States	1,076,432	1,134,828	1,103,103
Total free world consumption	1,690,378	1,845,421	1,782,256
Excess of supply over industrial demand [3]	+148,273	+68,643	+126,544

[1] U. S. Bureau of Mines.
[2] American Bureau of Metal Statistics.
[3] Excess of supply over industrial requirements varied from 3.7 percent in 1955 to 8.8 percent in 1954 and averaged 6.5 percent for the 3-year period.

Source: U. S. Department of the Interior.

TABLE L–4.—*Unmanufactured lead—Mine production and United States imports for consumption from major foreign suppliers*

[In tons]

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
Canada:										
Mine production	134,068	189,351	189,775	165,697	153,231	188,842	193,706	218,495	202,762	185,971
United States imports for consumption	60,001	74,661	62,085	113,015	70,179	120,355	60,993	121,772	82,216	38,881
Percent	35.39	39.36	35.85	68.21	44.35	71.49	31.49	55.73	41.04	20.58
Mexico:										
Mine production	245,960	213,028	243,347	262,423	248,533	271,196	244,213	228,785	222,381	220,030
United States imports for consumption	89,499	120,411	137,854	228,005	48,386	209,995	145,762	72,268	101,573	90,279
Percent	36.39	56.50	56.65	86.88	19.47	77.43	59.55	30.26	43.71	41.03
Peru:										
Mine production	60,421	53,503	72,043	71,554	90,774	105,571	126,302	121,336	130,899	123,491
United States imports for consumption	8,378	28,001	50,946	56,052	32,089	74,404	71,842	53,613	66,860	92,269
Percent	13.36	52.33	70.72	78.34	35.35	70.45	56.88	44.19	51.08	69.12
Australia:										
Mine production	209,664	229,034	234,261	231,971	238,578	247,719	258,521	295,056	311,860	313,364
United States imports for consumption	18,458	39,629	34,115	33,195	21,004	98,437	76,422	83,564	76,772	117,799
Percent	8.80	17.30	15.21	14.31	8.80	39.74	29.56	28.32	24.62	37.59
Other free world:										
Mine production outside United States	296,865	369,144	419,981	476,727	523,296	563,271	604,345	630,570	698,127	700,118
Other United States imports for consumption	40,408	69,062	130,081	135,018	56,635	141,026	102,038	151,601	124,953	148,597
Percent	13.4	18.72	30.97	28.32	10.82	25.04	16.88	23.70	17.90	21.22
Total free world:										
Mine production outside United States	999,578	1,054,125	1,119,407	1,208,382	1,259,412	1,356,599	1,427,087	1,513,222	1,574,029	1,555,974
United States imports for consumption	225,804	331,794	415,091	565,285	228,293	644,217	457,057	482,818	453,374	497,825
Percent	22.6	31.43	37.08	46.78	18.13	47.49	32.03	31.91	28.80	35.98

Source: Mine production, American Bureau of Metal Statistics; United States imports for consumption, U. S. Department of Commerce.

TABLE L–5.—*Mine production of lead in the United States*

[In tons]

	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Western States and Alaska:										
Alaska	329	51	149	21	1	0		1	1	1
Arizona	20,899	23,568	26,353	17,394	16,520	9,428	8,385	9,817	11,999	12,500
California	9,110	10,318	15,831	13,967	11,199	8,664	2,671	8,265	9,296	8,640
Colorado	26,143	26,853	27,007	30,336	30,066	21,754	17,823	15,805	19,856	21,000
Idaho	88,544	79,299	100,025	76,713	73,719	74,610	69,302	64,163	64,221	70,225
Montana	18,411	17,996	19,617	21,302	21,279	19,949	14,820	17,028	18,642	15,326
Nevada	9,777	10,626	9,408	7,148	6,790	4,371	3,041	3,291	6,284	5,800
New Mexico	7,553	4,552	4,150	5,346	7,021	2,943	857	3,296	6,042	5,330
Texas	170	132	129	43	66					
Utah	55,950	53,072	44,753	50,451	50,210	41,522	44,972	50,452	49,555	44,200
Washington	7,147	6,417	10,394	8,002	11,744	11,064	9,938	10,340	11,657	12,342
Undistributed	23	16	17	4	3	15	5	3	5	7
Central States:										
Arkansas	22	1	9	33	4					
Illinois										
Kentucky	4,772	4,868	3,327	4,658	6,322	5,537	[1] 4,577	6,492	6,642	4,670
Wisconsin										
Kansas	8,386	9,772	9,457	8,947	5,916	3,347	4,033	5,498	7,635	4,200
Missouri	102,288	127,522	134,026	123,702	129,245	125,895	125,250	125,412	123,753	125,000
Oklahoma	16,918	19,858	20,724	16,575	15,137	9,304	14,204	14,126	12,350	6,500
Eastern States:										
New York										
Tennessee	5,934	4,887	4,851	3,022	4,930	4,232	[2] 5,511	[2] 4,036	4,656	4,420
Virginia										
Total	390,476	409,908	430,827	388,164	390,162	342,644	325,419	338,025	352,826	333,498

[1] Includes small quantity from Iowa.

[2] Includes small quantity from North Carolina.

TABLE L–5a.—*Mine production of recoverable lead in the United States in 1956 and by months in 1957*

[In short tons]

Region and State	Total, 1956	January	February	March	April	May	June	July	August	September	October	November	December	Total, 1957
States east of the Mississippi River:														
Illinois	3,832	230	215	320	435	425	260	150	160	155	130	130	130	2,840
Kentucky	228													
New York	1,608	147	126	127	111	103	89	58	78	73	76	99	99	1,186
Tennessee	5													
Virginia	[1] 3,045	455	336	281	287	255	220	159	276	212	223	270	270	3,244
Wisconsin	2,582	170	165	240	220	205	180	165	160	135	170	120	100	2,030
Total	11,300	1,002	942	968	1,053	988	749	532	674	575	599	619	599	9,300
West Central States:														
Kansas	7,635	534	527	565	534	327	332	378	289	169	160	170	315	4,300
Missouri	123,783	10,619	10,082	10,251	11,239	10,656	9,505	10,344	10,658	9,935	12,392	10,000	9,319	125,000
Oklahoma	12,350	1,360	1,121	1,059	922	124	732	708	221				253	6,500
Total	143,768	12,513	11,730	11,875	12,695	11,107	10,569	11,430	11,168	10,104	12,552	10,170	9,887	135,800
Western States:														
Arizona	11,999	957	1,093	1,079	990	1,176	1,203	1,130	1,096	1,142	1,124	770	740	12,500
California	9,226	340	770	600	650	560	30	30	30	30	40	30	30	3,640
Colorado	19,856	1,745	1,732	2,007	2,371	2,239	2,101	1,998	1,836	1,204	1,247	1,220	1,200	21,000
Idaho	64,321	6,009	5,695	6,788	6,257	6,023	5,670	6,026	5,914	5,810	6,050	4,803	4,580	70,225
Montana	18,642	1,110	1,071	1,160	1,469	1,299	1,113	1,006	1,176	1,109	1,097	885	833	13,328
Nevada	6,384	570	460	480	530	440	470	910	580	400	329	320	310	5,800
New Mexico	6,042	616	572	620	725	504	570	607	225	253	203	225	230	5,350
Oregon	5						6		1					7
South Dakota	49,555	3,876	3,927	4,016	3,901	3,861	3,775	2,457	4,106	3,418	3,843	3,450	3,570	44,200
Utah	13,457	928	995	1,274	1,007	1,294	1,015	1,105	912	857	1,339	816	800	12,342
Washington														
Total	197,757	16,651	16,315	18,024	17,910	17,996	15,953	15,269	15,876	14,223	15,263	12,519	12,393	188,392
Alaska	1												1	1
Total, United States	352,826	30,166	28,987	30,867	31,658	30,091	27,271	27,231	27,718	24,902	28,414	23,308	22,880	333,493
Daily average	988	973	1,035	996	1,055	971	909	878	894	830	917	777	738	914

[1] Includes 10 tons from North Carolina.

TABLE I–6.—*Consumption of lead in the United States*

[Short tons]

	Metal products	Storage batteries	Pigments [1]	Chemicals	Miscellaneous uses	Total
1947 [2]	500,545	428,877	185,112	75,166	31,300	1,172,000
1948	354,405	513,827	142,388	94,089	29,186	[3] 1,133,895
1949	414,454	313,718	107,147	98,835	23,520	957,674
1950	515,527	398,409	166,387	125,526	32,132	1,237,981
1951	500,009	375,384	139,504	135,356	34,540	1,184,793
1952	476,542	350,930	122,299	150,719	30,305	1,130,795
1953	501,482	367,575	129,590	169,419	33,538	1,201,604
1954	442,384	337,272	116,409	167,184	31,622	1,094,871
1955	495,320	380,033	131,435	170,625	35,231	1,212,644
1956	489,566	370,771	120,370	195,136	33,854	1,209,717
1957 (11 months)	406,698	331,067	105,356	162,309	36,070	1,041,500

[1] Includes lead content of leaded zinc oxide production.
[2] Estimated distribution for 1947 based on reports of American Bureau of Metal Statistics.
[3] 1948 to 1957 Bureau of Mines.

TABLE I–6a.—*Consumption of lead by industries*

	Metal products	Pigments [1]	Chemicals	Others	Total [2]
1957—January	73,409	9,287	15,177	3,564	101,437
February	68,337	9,334	13,527	3,161	94,409
March	69,326	9,904	14,600	3,490	97,370
April	67,243	9,615	14,567	3,450	94,875
May	67,077	9,596	13,968	3,350	93,991
June	62,573	10,030	14,713	3,478	90,794
July	58,679	7,888	14,737	2,904	84,208
August	72,596	10,469	15,288	3,208	101,561
September	67,307	9,921	14,261	3,205	94,694
October	71,214	10,820	17,396	3,377	102,807
November	59,954	8,432	14,075	2,883	85,344
11 months	737,765	105,356	162,309	36,060	1,041,490

[1] Includes lead content of leaded zinc oxide production.
[2] Includes lead content of scrap used directly in fabricated products.

Source: U. S. Bureau of Mines.

TABLE L-7.—*Lead tariffs, price, and protection*

Year	Tariff per pound		Average lead price per pound		Protection, metals, London	Treaty or agreement
	Ore	Metal	New York	London		
	Cents	*Cents*	*Cents*	*Cents*	*Percent*	
1930	1¼	2⅛	5.52	3.92	54.2	Act of 1930.
1931	1¼	2⅛	4.94	2.64	80.5	Do.
1932	1¼	2⅛	3.18	1.88	113.0	Do.
1933	1¼	2⅛	3.87	2.23	95.3	Do.
1934	1¼	2⅛	3.86	2.49	85.3	Do.
1935	1¼	2¼	4.07	3.12	68.1	Do.
1936	1¼	2¼	4.71	3.91	54.3	Do.
1937	1¼	2¼	6.01	5.14	41.3	Do.
1938	1¼	2⅛	4.74	3.34	63.6	Do.
1939	1¼	2⅛	5.05	3.16	67.2	Do.
1940	1¼	2¼	5.18	4.27	49.8	Do.
1941	1¼	2⅛	5.79	4.50	47.2	Do.
1942	1¼	2⅛	6.48	4.50	47.2	Do.
1943, January	¾	1 1/16	6.50	4.50	23.6	Mexican agreement.
1944	¾	1 1/16	6.50	4.50	23.6	Do.
1945	¾	1 1/16	6.50	5.00	21.3	Do.
1946	¾	1 1/16	8.11	8.64	12.3	Do.
1947	¾	1 1/16	14.87	15.29	6.9	Do.
1948, January to June	¾	1 1/16	16.20	16.19	6.6	Do.
1948, July to December	0	0	19.89	18.17	.0	Suspension.
1949, January to June	0	0	17.13	19.88	.0	Do.
1949, July to December	¾	1 1/16	13.60	14.03	7.6	Geneva rates, 1948.
1950	¾	1 1/16	13.30	13.31	8.0	Reinstated.
1951, Jan. 1 to June 5	1½	2⅛	17.00	18.26	11.6	Abrogation of Mexican Treaty.
1951, June 6 to Dec. 31	¾	1 1/16	17.75	21.75	4.9	Torquay agreement.
1952, Jan. 1 to Feb. 11	¾	1 1/16	19.00	21.71	4.9	Do.
1952, Feb. 12 [1]	0	0	17.00	21.25	.0	Suspension.[1]
1952, June 26	¾	1 1/16	15.00	17.13	6.2	Reinstated by President.
1953	¾	1 1/16	13.49	11.44	9.3	Do.
1954	¾	1 1/16	14.05	12.06	8.8	Do.
1955	¾	1 1/16	15.14	13.23	8.0	Do.
1956	¾	1 1/16	16.01	14.52	7.3	Do.
1957	¾	1 1/16	14.66	12.08	8.8	Do.
1958, Feb. 19	¾	1 1/16	13.00	9.58	11.1	Do.

[1] Suspension subject to automatic reinstatement should price fall below 18 cents.

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TABLE L–8.—*Metal price—Lead*

LEAD—LONDON [1]

[Cents per pound]

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
January	12.594	16.192	22.129	12.125	17.000	21.875	12.452	10.807	13.008	14.821	14.532
February	12.594	16.192	22.129	12.125	17.000	21.250	11.781	10.344	12.959	14.922	14.144
March	12.709	16.192	22.129	11.074	17.000	20.846	11.399	10.794	13.001	15.141	14.128
April	16.192	16.192	19.376	10.619	20.000	20.375	10.277	11.693	13.058	14.464	13.984
May	16.192	16.192	18.049	11.670	20.000	17.180	10.277	11.799	12.896	13.943	12.432
June	16.192	16.192	15.454	11.846	20.000	16.354	11.086	12.182	12.852	14.153	11.461
July	16.192	16.192	14.648	11.896	21.442	16.597	11.644	11.961	12.243	14.207	11.327
August	16.192	16.192	15.583	12.884	22.500	16.375	11.920	12.114	13.312	14.508	11.466
September	16.192	16.192	15.233	15.692	22.500	16.375	11.668	12.668	13.446	14.647	11.230
October	16.192	20.150	13.803	16.000	21.875	11.305	11.567	13.586	13.360	14.432	10.738
November	16.192	20.150	12.792	17.000	21.875	11.685	11.777	13.512	13.521	14.479	10.396
December	16.192	20.150	12.125	17.000	21.875	12.171	11.298	13.027	14.168	14.460	9.152
Year	15.293	17.181	16.954	13.311	20.276	17.032	11.437	12.056	13.233	14.515	12.083

[1] $4.03 through Sept. 17, 1949.

LEAD—DOMESTIC

January	12.931	15.000	21.500	12.000	17.000	19.000	14.192	13.260	15.000	16.151	16.000
February	13.152	15.000	21.500	12.000	17.000	19.000	13.500	12.818	15.000	16.000	16.000
March	14.957	15.000	18.907	10.963	17.000	19.000	13.404	12.935	15.000	16.000	16.000
April	15.000	17.212	15.154	10.630	17.000	18.923	12.683	13.904	15.000	16.000	16.000
May	15.000	17.500	13.720	11.721	17.000	15.731	12.750	14.000	15.000	16.000	15.385
June	15.000	17.500	12.000	11.808	17.000	15.257	13.413	14.105	15.000	16.000	14.320
July	15.000	17.808	12.562	12.000	17.000	16.000	12.683	14.000	15.000	16.000	14.000
August	15.000	19.500	15.032	12.926	17.000	16.000	14.000	14.058	15.000	16.000	14.000
September	15.000	19.500	15.000	15.800	17.000	16.000	13.740	14.508	15.100	16.000	14.000
October	15.000	19.500	13.420	16.040	19.000	14.404	13.500	14.965	15.500	16.000	13.692
November	15.000	21.500	12.522	17.000	19.000	14.189	13.500	15.000	15.500	16.000	13.500
December	15.000	21.500	12.000	17.000	19.000	14.125	13.500	15.000	15.558	16.000	13.000
Year	14.673	18.043	15.364	13.296	17.500	16.467	13.490	14.054	15.128	16.013	14.658

TABLE I–8.—*Metal price—Lead*—Continued

DIFFERENCES

[Cents per pound]

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
January	(0.337)	1.192	0.629	0.125	----------	2.875	(1.736)	(2.452)	(1.992)	(1.230)	(1.466)
February	(.585)	1.192	.629	.125	----------	2.250	(1.719)	(2.474)	(2.041)	(1.078)	(1.836)
March	(2.248)	1.192	3.222	.111	----------	1.346	(2.005)	(2.141)	(1.999)	(.339)	(1.860)
April	1.192	(1.020)	4.222	(.011)	3.000	1.452	(2.406)	(2.211)	(1.942)	(1.536)	(2.016)
May	1.192	(1.208)	4.229	(.051)	3.000	1.469	(2.473)	(2.201)	(2.104)	(2.057)	(2.962)
June	1.192	(1.208)	3.454	.038	3.000	1.097	(2.222)	(1.926)	(2.148)	(1.847)	(2.339)
July	1.192	(1.616)	1.025	(.064)	4.442	.597	(2.039)	(2.039)	(1.757)	(1.793)	(2.672)
August	1.192	(3.208)	.551	(.042)	5.500	.375	(2.080)	(1.944)	(1.688)	(1.402)	(2.534)
September	1.192	(3.208)	.183	(.105)	5.500	.375	(2.072)	(1.920)	(1.654)	(1.352)	(2.770)
October	1.192	.650	.383	(.040)	2.875	(2.099)	(1.933)	(1.379)	(2.140)	(1.565)	(2.954)
November	1.192	(1.350)	.270	----------	2.875	(2.474)	(1.723)	(1.486)	(1.979)	(1.521)	(2.104)
December	1.192	(1.350)	.125	----------	2.875	(1.954)	(2.202)	(1.973)	(1.390)	(1.540)	(2.848)
Year	.620	(.862)	1.590	.015	2.776	.565	(2.052)	(1.998)	(1.905)	(1.496)	(2.575)

Parentheses ( ) denote red figures.

TABLE I–9.—*Lead stocks, United States*

SMELTERS' AND REFINERS' STOCKS OF LEAD

[In tons of 2,000 pounds]

	In ore and matte and in process at smelteries	In base bullion (lead content)			Refined pig lead	Antimonial lead	Total stocks
		At smelteries and refineries	In transit to refineries	In process at refineries			
1953—Jan. 1	65,771	17,583	3,105	19,760	81,405	12,155	149,778
1954—Jan. 1	67,663	17,920	2,867	26,713	65,036	16,116	196,340
1955—Jan. 1	62,074	18,170	1,723	27,164	77,930	14,789	201,850
1956—Jan. 1	71,812	16,532	3,764	27,625	21,196	9,893	150,822
1957—Jan. 1	77,918	12,222	2,846	25,092	29,435	11,746	159,259
Feb. 1	80,451	10,696	4,061	23,827	32,418	10,487	163,880
Mar. 1	81,274	11,880	4,394	25,728	38,479	10,220	171,975
Apr. 1	82,461	14,606	3,503	25,401	36,390	9,794	172,237
May 1	81,061	17,035	2,705	20,890	45,053	9,301	179,135
June 1	81,364	11,585	3,071	31,002	48,286	9,799	185,107
July 1	82,780	12,096	3,560	22,380	55,258	9,803	185,867
Aug. 1	97,111	11,479	2,532	22,917	59,348	8,661	202,048
Sept. 1	84,205	13,029	2,667	22,430	51,080	9,553	182,973
Oct. 1	80,662	11,905	3,175	20,351	44,467	10,215	170,775
Nov. 1	76,230	14,220	2,538	18,695	47,460	11,561	170,724
Dec. 1	65,341	11,646	3,547	21,867	59,755	11,119	173,275
1958—Jan. 1	79,362	11,019	2,779	23,184	79,741	11,857	207,912

CONSUMERS' STOCKS OF LEAD [1]

	Refined soft lead	Antimonial	Total
1953—Jan. 1	80,858	20,309	101,167
1954—Jan. 1	75,801	14,867	90,668
1955—Jan. 1	82,039	17,573	99,612
1956—Jan. 1	73,480	23,061	96,561

CONSUMERS' AND SECONDARY SMELTERS' STOCKS OF LEAD [1]

1956—Jan. 1	[2] 73,673	[2] 40,226	[2] 113,899
1957—Jan. 1	66,888	38,081	105,969
Feb. 1	70,135	38,795	108,930
Mar. 1	69,044	39,259	108,303
Apr. 1	72,508	37,647	110,155
May 1	66,560	36,672	103,232
June 1	61,227	35,118	96,345
July 1	57,063	32,385	89,448
Aug. 1	54,982	27,739	82,721
Sept. 1	55,844	31,246	87,090
Oct. 1	61,758	33,223	94,981
Nov. 1	63,715	33,223	96,938
Dec. 1	71,651	35,647	107,298

[1] U. S. Bureau of Mines; beginning 1956, consumers' stocks not separately reported by months.
[2] Revised annual totals.

TABLE L-10.—*Lead imports and exports*[1]

	Ore, matte, etc.	Base bullion	Pigs and bars	Total	Export	Net
1956	196,453	31	262,654	459,137	5,682	453,455
1957—January	22,653		31,410	54,063	314	53,749
February	11,104		22,422	33,527	1,480	32,047
March	18,045		20,784	38,829	949	37,880
April	14,786		25,069	41,855	855	41,000
May	12,009		22,263	34,351	128	34,243
June	20,061		28,002	48,063	210	47,853
July	18,016	89	25,224	43,298	644	42,654
August	17,851		23,182	41,013	105	40,908
September	13,150	25	23,042	36,217	174	36,043
October	16,576		31,376	47,952	146	47,806
November	12,852		32,440	45,292	406	44,886
December	18,630		39,061	57,700	123	57,577
Total	197,831	84	324,278	522,190	5,244	516,946

[1] This table is based on "general imports" as reported by U. S. Bureau of Census whereas table L-1 is based on "imports for consumption" as reported by U. S. Bureau of Customs. Monthly figures of 1957 "imports for consumption" are not available. The minor difference between these two methods of reporting is not too significant in view of the very large quantities of imported lead in both tabulations.

Source: American Bureau of Metal Statistics.

TABLE Z–1.—*Unmanufactured zinc—United States production, foreign trade, consumption, ratios of net imports to production and consumption and average market prices, 1938–57*

[In short tons of zinc content]

	Production			Imports for consumption			Domestic exports [2]	Net imports	Zinc consumption [4]	Ratio net imports to production	Ratio net imports to consumption	Average market price [5]
	Mine output [1]	Secondary from old scrap [3]	Total	Zinc bearing ores	Refined etc.	Total [3]						
1938	516,703	(6)	(6)	5,744	7,326	13,070	125	12,945	807,641	----------	2.5	$4.510
1939	583,907	45,100	629,007	42,721	31,163	73,884	4,318	69,566	782,169	11.0	8.8	5.130
1940	665,068	64,204	729,272	110,260	10,656	120,916	79,539	41,377	909,079	5.7	4.6	6.335
1941	749,125	81,154	830,279	236,131	40,744	276,875	80,308	196,566	1,075,415	22.5	17.3	7.474
1942	768,625	72,987	841,612	366,473	39,709	420,182	123,938	296,244	946,498	34.0	30.2	8.250
1943	744,196	84,225	828,421	547,250	61,301	608,551	97,439	511,112	1,040,724	61.7	48.7	8.250
1944	723,642	113,161	831,303	416,333	68,239	484,572	21,576	462,996	1,181,060	55.8	39.3	8.250
1945	634,356	91,266	705,624	337,264	104,049	441,313	7,752	433,561	1,110,060	61.5	39.1	8.250
1946	578,533	77,223	655,056	213,424	108,152	321,576	47,313	274,263	1,045,845	42.1	26.2	8.725
1947	637,608	74,979	712,587	312,372	77,168	389,540	108,073	281,467	1,040,027	39.5	27.1	10.800
1948	630,977	74,190	704,167	186,945	102,768	289,713	69,084	220,532	999,936	31.3	22.2	13.589
1949	583,203	51,651	644,854	168,206	129,896	298,102	65,203	232,799	826,233	36.1	28.2	12.144
1950	633,375	74,097	707,472	249,102	158,194	407,296	20,268	387,028	1,145,992	55.5	33.6	13.866
1951	681,189	69,174	749,363	239,498	94,640	334,049	44,212	289,837	1,126,248	38.7	25.7	15,000
1952	660,001	74,665	740,666	581,995	116,543	698,509	62,056	636,453	1,017,147	86.0	62.6	15.215
1953	567,430	64,235	631,665	464,227	223,699	687,926	21,222	666,704	1,186,611	110.5	58.4	10.855
1954	472,471	72,857	545,328	504,770	161,225	665,995	41,694	624,311	1,026,036	114.3	60.9	10.661
1955	514,671	82,549	596,220	407,739	195,343	603,082	39,681	563,401	1,292,373	94.2	43.6	12.209
1956	542,940	72,795	615,066	485,789	245,328	731,117	23,784	707,333	1,154,490	114.8	61.3	13.494
1957 [7]	520,128	70,000	590,128	470,000	275,000	745,000	12,500	732,500	990,142	124.1	74.0	11.309

[1] Represents recoverable zinc content of domestic ores, concentrates, and tailings.
[2] Zinc recovered in all forms from old scrap.
[3] Imports: Zinc content of ores, concentrates, gross weight of zinc blocks, pigs, and slabs, old zinc scrap, zinc dross, and skimmings. Export statistics represent zinc in ores, concentrates, dross, and skimmings, and zinc blocks, pigs, and slabs.
[4] Data represents all slab consumed (estimating that U. S. Bureau of Mines account for 96 percent of all slab zinc consumed) plus the zinc content of pigments and salts made directly from ores, including the estimated quantity of zinc recovered from old scrap and consumed in forms other than slab. These data do not include withdrawals for the strategic Government stockpile.
[5] Average market price of Prime Western Zinc, f. o. b., East St. Louis, as reported by E. & M. J.
[6] Not available.
[7] Estimated.

Source: U. S. Bureau of Mines; U. S. Department of Commerce.

Zinc Supply and Consumption in United States and in Free World

Table Z-2.—*Zinc, in the United States*

	1952	1953	1954	1955	1956	Estimate, 1957
Supply, primary zinc:						
Domestic mine production, short tons, recoverable zinc	666,001	647,340	473,471	514,671	542,340	520,128
Imports for consumption:						
Zinc ore, etc	581,966	464,327	504,770	407,739	435,789	470,000
Slab, block, etc	116,543	233,569	161,225	195,843	245,328	275,000
Total	698,509	697,896	665,995	603,582	731,117	745,000
Total supply	1,364,510	1,345,236	1,139,466	1,117,753	1,273,457	1,265,128
Distribution, primary zinc:						
Consumption of primary slab	797,672	933,052	816,286	1,053,770	918,143	865,000
Consumption of zinc in ore	109,277	118,244	99,247	108,395	[1] 110,000	105,000
Exports recoverable zinc in ore and slab	62,056	21,922	41,684	39,691	23,734	12,500
Total	969,005	1,073,218	957,217	1,201,846	1,051,882	982,500
Differences (in 6 years, 1,169,882 tons) [2]	+395,505	+172,018	+182,249	−84,093	+221,575	+282,628
Shipments to Government account from American Zinc Institute sources, 611,595 tons	36,626	42,332	108,957	87,200	157,014	179,466

[1] Estimate.
[2] Industry stocks: (a) Smelter gained from Jan. 1, 1952, to Dec. 31, 1957, 144,474; (b) consumers gained from Jan. 1, 1952, to Dec. 31, 1957, 23,068. Supply in the United States for the 6-year period exceeded industrial consumption and exports by 1,169,882 tons, or 15.8 percent. The excesses by year were: 1952, 29 percent; 1953, 13.8 percent; 1954, 16 percent; 1955, 7.5 percent; 1956, 17.4 percent; and 1957, 14.2 percent.

Table Z-3.—*Zinc, 1954 to mid-1957; free-world mine production—Free-world consumption, primary zinc, and free-world excess production*

	1954	1955	1956
Supply:			
United States mine production	[1] 473,471	[1] 514,671	[1] 537,643
Estimated free-world production outside the United States	[2] 1,897,344	[2] 2,052,558	[2] 2,110,936
Total free-world supply	2,370,815	2,567,229	2,648,579
Industrial demand:			
United States consumption of slab zinc (primary)	816,286	1,053,770	918,027
United States zinc ores for pigments, etc	99,247	[3] 114,000	[3] 110,000
Total United States consumption	[1] 915,533	[1] 1,167,770	[1] 1,028,027
Estimated free-world consumption outside the United States	1,351,041	1,439,746	1,396,510
Total free world consumption (primary)	2,266,574	2,607,516	2,424,537
Excess of supply over industrial demand [4]	104,241	−40,287	224,042

[1] U. S. Bureau of Mines.
[2] American Bureau of Metal Statistics.
[3] Estimate.
[4] Excess of supply over industrial requirements varied from −1.5 percent in 1955 to 9.2 percent in 1956 and averaged 3.9 percent for the 3-year period.

Source: U. S. Department of the Interior.

TABLE Z–5.—*Unmanufactured zinc—Imports for consumption—Principal foreign suppliers*

[Zinc content in short tons]

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
Canada:										
Mine production	252,063	277,464	288,264	313,227	341,112	371,802	401,762	376,491	433,357	419,402
United States imports for consumption	110,195	119,302	154,410	195,909	154,951	250,920	228,204	284,967	270,796	265,798
Percent	43.72	43	53.57	62.55	45.43	67.49	56.8	75.69	62.48	63.38
Mexico:										
Mine production	215,846	197,344	196,653	246,375	198,485	250,635	238,691	246,638	296,959	274,348
United States imports for consumption	191,098	115,284	115,692	155,844	120,647	296,120	174,690	186,852	186,325	215,135
Percent	88.53	58.42	58.83	63.25	60.78	118.15	73.19	75.76	62.74	78.42
Peru:										
Mine production	84,133	64,862	79,406	96,869	111,504	139,423	151,759	172,631	183,072	176,584
United States imports for consumption	5,105	20,518	16,390	55,273	50,334	55,273	77,834	100,257	70,579	104,048
Percent	12.64	31.63	20.64	57.05	45.14	39.63	51.29	58.08	38.55	58.92
Australia:										
Mine production	160,300	167,200	168,654	186,284	179,507	185,557	223,004	237,701	241,376	261,520
United States imports for consumption	1,157	794	4,027	60	2,495	3,888	16,231	5,452	6,613	23,054
Percent	0.07	0.05	2.39	0.03	1.39	2.1	7.28	2.29	2.74	8.82
Other free world:										
Mine production, outside United States	356,182	432,475	498,361	585,169	681,271	786,368	860,225	863,883	897,794	974,385
Other United States imports for consumption	78,985	33,718	5,483	210	5,622	92,306	100,937	88,467	68,769	123,082
Percent	22.18	7.8	1.1	0.04	0.83	11.74	11.74	10.24	7.66	12.63
Total free world:										
Mine production, outside United States	1,048,524	1,139,345	1,231,338	1,427,924	1,511,879	1,733,785	1,875,441	1,897,344	2,042,558	2,106,239
United States imports for consumption	389,540	289,616	296,002	407,296	334,049	698,509	697,896	665,905	603,082	731,117
Percent	37.15	25.41	24.04	28.52	22.09	40.7	37.21	35.1	29.52	34.71

Source: Mine production, American Bureau of Metal Statistics. United States Imports for consumption, U. S. Department of Commerce.

TABLE Z–5.—*Mine production of zinc in the United States*

[In tons]

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	Year 1957
Western States:											
Arizona	54,644	54,478	70,658	60,480	52,999	47,143	27,520	21,461	22,684	25,580	22,200
California	5,415	5,225	7,209	7,551	9,622	9,419	5,358	1,415	6,526	8,049	2,280
Colorado	38,745	45,164	47,702	45,776	55,714	53,202	27,809	25,150	25,250	40,246	46,200
Idaho	83,069	86,267	76,555	87,800	78,121	74,217	72,153	61,528	53,214	49,561	58,642
Montana	45,679	59,095	54,196	67,678	85,551	82,185	80,271	60,952	68,585	70,520	49,780
Nevada	16,970	20,298	20,442	21,606	17,442	16,257	5,812	1,095	2,670	7,485	5,000
New Mexico	44,103	41,502	29,346	29,263	45,419	50,975	13,273	6	15,277	25,080	20,880
Utah	43,673	41,490	40,670	21,678	24,317	22,947	29,184	24,031	43,556	42,274	40,200
Washington	13,800	12,636	10,740	14,807	15,189	20,102	22,786	22,204	29,536	25,009	23,120
Other States and Alaska	67	51	8	27	28	4					
Central States:											
Arkansas	18	31	1	8	80	26					
Illinois, Kentucky, Wisconsin	22,905	21,483	24,387	33,435	4., 987	42,084	21,875	30,419	40,026	48,246	44,200
Kansas	41,497	35,577	29,433	27,176	28,904	25,482	15,515	19,110	27,611	28,985	15,800
Missouri	17,074	6,463	5,911	8,189	11,476	12,986	9,951	5,220	4,476	4,260	2,000
Oklahoma	51,062	43,821	44,088	46,739	53,450	54,916	33,413	43,171	41,543	27,515	14,200
Eastern States:											
New Jersey, New York, Virginia	127,775	126,780	102,123	105,746	110,300	105,225	113,905	107,353	82,988	82,974	96,120
Tennessee	31,212	29,534	29,788	35,226	38,639	38,020	38,465	30,226	40,226	46,022	38,467
Total	637,608	629,977	503,208	623,375	681,189	666,031	567,420	473,671	514,671	562,340	520,125

TABLE Z–5a.—*Production of primary slab zinc in the United States* [1]

[In tons of 2,000 pounds]

ACCORDING TO LOCALITY IN WHICH REDUCED

	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
Arkansas	18,720	17,152	15,586	17,116	20,688	21,776	21,644	20,379	8,576	21,481	27,851
Idaho	34,832	41,801	42,064	41,854	53,922	54,468	54,340	54,037	47,404	56,625	57,789
Illinois	104,002	113,192	93,229	86,823	108,301	108,544	115,331	129,904	92,382	102,808	101,835
Montana	188,662	197,453	207,717	216,578	216,104	208,482	214,980	222,354	154,024	207,386	214,755
Oklahoma	104,125	123,308	137,844	157,630	145,117	161,267	161,242	134,918	153,946	160,951	168,123
Pennsylvania	178,811	193,524	171,276	156,920	162,539	189,177	193,511	192,279	120,706	218,489	198,998
Other States	101,110	110,969	120,048	137,841	136,706	137,939	143,131	162,294	165,607	195,794	236,435
Total	728,262	802,495	787,764	814,782	843,467	881,633	904,479	916,105	802,425	963,304	983,610

ACCORDING TO SOURCE OF ORE

Domestic	459,205	510,068	537,966	591,454	588,201	621,826	575,826	[2] 495,436	[2] 380,312	582,913	470,088
Foreign	269,057	292,427	249,798	223,328	255,176	259,807	[2] 328,653	[2] 420,669	[2] 422,113	380,391	513,517

[1] U. S. Bureau of Mines. The difference between these totals and those reported by the American Zinc Institute represents mainly the derivation by primary producers from secondary material and inclusion by American Zinc Institute of production from foreign ore.

[2] Includes a small tonnage of foreign slab zinc further refined into high-grade metal in the United States.

TABLE Z–5b.—*Mine production of recoverable zinc in the United States in 1956 and in 1957 by months* [1]

[In short tons]

Region and State	Total, 1956	January	February	March	April	May	June	July	August	September	October	November	December	Total, 1957
States east of the Mississippi River:														
Illinois	24,039	1,925	1,690	2,130	2,030	2,135	2,035	1,500	1,870	1,595	1,830	1,730	1,650	22,110
Kentucky	417													
New Jersey	4,667	1,898	1,538	1,518	1,849	1,578	1,582	1,679	767					12,409
New York	59,111	5,124	5,306	5,325	5,441	4,504	4,821	5,544	6,242	5,092	6,670	5,407	5,407	64,883
Tennessee	46,023	5,330	3,631	5,023	4,871	5,068	4,780	4,199	5,072	4,280	5,406	4,764	4,063	56,467
Virginia	19,196	2,009	1,613	1,597	1,699	1,625	1,363	979	1,677	1,299	1,871	1,573	1,573	18,878
Wisconsin	23,890	2,300	2,210	2,530	2,355	2,155	2,400	1,490	1,450	1,190	1,450	1,400	1,200	22,130
Total	177,343	18,586	15,988	18,123	18,245	17,065	16,981	15,391	17,078	13,436	17,217	14,874	13,893	196,877
West Central States:														
Kansas	28,665	2,096	1,759	2,228	1,895	846	1,383	1,484	1,049	675	622	700	1,063	15,800
Missouri	4,380	243	299	306	423	332	267	205	197	187	188	180	173	3,000
Oklahoma	27,515	2,577	2,600	2,622	2,594	566	1,205	990	612				534	14,300
Total	60,560	4,916	4,658	5,156	4,912	1,744	2,855	2,679	1,858	862	810	880	1,770	33,100
Western States:														
Arizona	25,580	2,466	2,507	2,250	2,601	3,127	3,500	3,235	2,780	2,824	2,820	2,500	2,500	33,200
California	8,049	670	500	600	510	550	20	20	20	20	20	20	20	2,980
Colorado	40,246	4,300	3,841	4,418	4,626	4,528	4,292	4,264	4,002	2,953	3,036	2,940	3,000	46,200
Idaho	49,561	4,718	4,432	5,542	5,421	5,379	4,819	4,959	5,387	4,746	4,912	4,336	3,991	58,642
Montana	70,520	4,421	4,622	5,012	5,826	4,899	3,316	3,735	4,119	3,501	3,924	3,253	3,172	49,790
Nevada	7,488	700	700	770	700	630	570	570	140	70	50	50	50	5,000
New Mexico	35,010	3,272	3,306	3,419	3,249	3,074	3,247	3,059	1,927	1,693	1,504	1,550	1,600	30,900
Utah	42,374	3,546	3,326	3,303	3,312	3,521	3,621	2,666	3,684	3,166	3,635	3,120	3,300	40,200
Washington	25,609	2,579	2,110	2,364	2,312	2,616	2,269	2,094	1,381	1,508	1,412	1,444	1,050	23,139
Total	304,437	26,672	25,434	27,778	28,557	28,314	25,654	24,602	23,440	20,481	21,323	19,213	18,683	290,151
Total United States	542,340	50,174	46,080	51,057	51,714	47,123	45,490	42,672	42,376	34,779	39,350	34,967	34,346	520,128
Daily average [2]	1,482	1,619	1,646	1,647	1,724	1,520	1,516	1,377	1,367	1,159	1,269	1,166	1,108	1,425

[1] Revised figures. [2] Based on number of days in the month without adjustment for Sundays and holidays.

TABLE Z–5c.—*Production of slab zinc in the United States, according to grade* [1]

[In tons of 2,000 pounds]

Year	Grade A		Grade B (intermediate)	Grades C and D		Grade E (prime western)	Total
	Special high grade (99.99 percent zinc)	Regular high grade (ordinary)		Brass special	Selected		
1945	220,241	191,639	49,106	75,749	17,367	259,701	813,803
1946	236,184	180,866	32,294	75,296	13,607	234,941	772,778
1947	239,274	190,429	36,812	61,104	12,844	321,574	862,037
1948	245,846	196,482	38,892	45,946	4,723	315,695	850,084
1949	230,576	206,651	21,513	56,383	2,565	352,130	869,823
1950	271,678	192,075	21,571	46,780	4,021	374,362	910,437
1951	281,571	175,499	20,734	60,511	13,494	378,481	930,290
1952	295,801	182,125	17,903	43,817	13,608	401,336	950,590
1953	312,310	180,188	14,720	56,219	1,930	403,113	968,980
1954	270,189	182,980	19,284	52,662	1,233	394,120	870,488
1955	378,215	183,507	23,792	80,209	3,904	404,829	1,020,546
1956	356,756	162,467	37,691	96,291	2,400	400,132	1,055,737
1957 [2]—January	29,136	13,987	1,543	48,496			93,452
February	29,067	15,013	2,515	41,483			88,078
March	30,491	14,432	3,238	48,713			96,924
April	30,366	15,265	3,661	47,314			96,506
May	31,936	13,777	2,269	48,853			96,855
June	31,351	12,503	2,196	44,669			90,719
July	29,215	13,219	1,668	41,677			85,779
August	28,583	11,575	1,280	42,728			84,166
September	29,667	9,367	1,662	39,759			77,455
October	28,355	9,444	2,236	41,457			82,492
November	28,610	8,060	1,074	42,010			79,754
December	32,111	8,413	883	44,863			86,270
Year	356,098	145,105	24,225	532,022			1,057,450
1958—January	29,276	8,688	1,556	42,823			82,343

[1] U. S. Bureau of Mines; distilled and electrolytic zinc, primary and secondary.
[2] American Zinc Institute, preliminary (with deduction for metallurgical losses in converting grades).

TABLE Z–6.—*Reported consumption of primary zinc in the United States*

	Consumption of slab zinc [1]							Zinc pigments and salts	Other [2]	Reported consumption, grand total
	Galvanizing	Brass products	Diecasting	Rolled zinc	Other alloy	Other purposes	Total			
1947	361,327	112,347	210,214	70,680	22,631	9,161	786,360	145,923	107,744	1,040,027
1948	370,969	100,140	230,995	76,672	19,290	10,669	817,735	132,649	45,552	995,936
1949	350,880	85,534	199,665	55,200	12,808	7,754	711,841	88,142	26,270	826,253
1950	441,686	120,373	285,022	68,444	22,602	9,917	967,134	134,434	47,424	1,148,992
1951	400,279	143,292	282,812	64,065	31,845	11,658	933,971	133,845	58,432	1,126,248
1952	377,688	155,608	225,877	61,318	28,017	14,275	852,783	109,277	55,087	1,017,147
1953	406,988	178,182	297,280	54,649	30,840	17,988	985,927	118,244	52,440	1,156,611
1954	403,463	108,268	279,676	47,486	29,871	15,535	884,299	99,247	41,490	1,025,036
1955	451,141	146,243	417,333	51,589	35,907	17,599	1,119,812	108,395	64,166	1,292,373
1956	439,146	124,004	349,200	47,359	30,467	18,614	1,008,790	100,000	45,700	1,154,490
1957 (11 months)	331,413	103,260	330,616	36,865	29,776	24,712	856,642	[3] 91,600	[3] 41,900	990,142

[1] As reported by USBM.
[2] Adjusted to include consumption of smaller users not reporting to USBM, plus estimated quantity of zinc recovered from old scrap and consumed in forms other than slab.
[3] Estimated.

TABLE Z–6a.—*Consumption of slab zinc by industries*

	Galvanizers	Brass and bronze products [1]	Die casters [2]	Rolling mills	Zinc oxide and others	Total
1957						
January	34,837	10,800	37,517	3,502	3,434	89,590
February	31,686	9,156	32,520	3,284	3,206	79,852
March	30,747	8,860	30,948	3,553	3,378	77,484
April	30,631	9,491	29,166	4,001	3,300	76,589
May	30,537	9,563	28,423	3,389	3,097	75,009
June	29,907	8,710	27,658	3,613	2,646	72,564
July	26,067	6,361	26,116	2,668	2,981	64,223
August	27,885	9,758	29,237	3,686	3,099	73,662
September	28,651	9,588	31,051	2,911	2,875	75,076
October	32,940	10,952	36,480	3,385	3,241	86,998
November	28,025	10,024	32,189	2,843	2,614	75,695
11 months	331,413	103,260	341,333	36,885	33,871	846,742

[1] Including ingot makers and foundries.
[2] Includes producers of zinc-base castings, zinc-alloy dies and zinc-alloy rod.

Source: U. S. Bureau of Mines.

TABLE Z–7.—*Zinc tariffs, price, and protection*

Year	Tariff per pound		Average zinc price per pound		Percent protection, metals, London	Treaty or agreement
	Ore	Metal	New York	London		
	Cents	*Cents*	*Cents*	*Cents*		
1930	1½	1¾	4.556	3.655	47.88	Act of 1930.
1931	1½	1¾	3.640	2.519	69.47	Do.
1932	1½	1¾	2.876	2.143	81.66	Do.
1933	1½	1¾	4.029	2.978	58.76	Do.
1934	1½	1¾	4.188	3.095	56.54	Do.
1935	1½	1¾	4.328	3.102	56.42	Do.
1936	1½	1¾	4.901	3.336	52.46	Do.
1937	1½	1¾	6.519	4.932	35.48	Do.
1938	1½	1¾	4.610	3.078	56.95	Do.
1939, Jan. 1	1½	1½	5.110	2.963	47.25	Canadian agreement.
1940	1½	1½	6.335	4.295	31.85	Do.
1941	1½	1¾	7.474	4.633	30.22	Do.
1942	1½	1¾	8.250	4.633	30.22	Do.
1943, Jan. 1–30	1½	1½	8.250	4.633	30.22	Do.
1943, Jan. 31 to Dec. 31	¾	¾	8.250	4.633	18.89	Mexican agreement.
1944	¾	¾	8.250	4.633	18.89	Do.
1945	¾	¾	8.250	5.185	16.88	Do.
1946	¾	¾	8.726	7.761	11.27	Do.
1947	¾	¾	10.500	12.594	6.95	Do.
1948, Jan. 1	¾	¾	13.589	12.594	6.95	Geneva agreement.
1949	¾	¾	12.144	14.437	6.06	Do.
1950	¾	¾	13.866	14.902	5.87	Do.
1951, Jan. 1 to June 5	¾	¾	17.500	19.349	4.52	Do.
1951, June 6 to Dec. 31	¾	7/16	18.357	23.05	3.04	Torquay agreement.
1952, Jan. 1 to Feb. 11	¾	7/16	19.500	22.755	2.95	Do.
1952, Feb. 12 to July 22 [1]	0	0	17.500	20.980	0	Suspension.[1]
1952, July 23	¾	7/16	13.500	16.250	4.31	Reinstated by President.
1953	¾	7/16	10.855	9.338	7.50	Do.
1954	¾	7/16	10.681	9.783	7.16	Do.
1955	¾	7/16	12.299	11.333	6.18	Do.
1956	¾	7/16	13.494	12.220	5.73	Do.
1957	¾	7/16	11.399	10.202	6.86	Do.
1958, Feb. 19	¾	7/16	10.000	8.085	8.66	Do.

[1] Tariff suspended subject to automatic reinstatement should price fall below 18 cents.

TABLE Z–8.—*Metal price zinc*

ZINC, LONDON [1]

[Amounts in cents]

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
January	12.594	12.651	19.071	10.880	18.875	23.750	11.124	9.128	10.730	12.604	12.907
February	12.594	13.493	19.071	10.688	18.875	23.750	10.268	9.028	11.182	12.551	12.431
March	12.594	13.493	19.071	10.864	18.875	23.750	9.903	9.282	11.031	12.695	12.077
April	12.594	13.493	18.261	11.611	20.000	23.750	8.914	9.956	11.133	12.280	12.297
May	12.594	13.493	16.685	12.847	20.000	22.750	8.629	9.941	11.210	11.852	10.722
June	12.594	13.493	14.411	15.572	20.000	17.146	8.856	9.990	11.494	11.751	9.288
July	12.594	13.493	11.996	15.938	22.164	16.250	9.166	9.695	11.403	11.685	9.394
August	12.594	13.493	11.606	16.063	23.750	15.370	9.118	9.415	11.214	11.950	9.237
September	12.594	13.493	11.109	17.817	23.750	15.384	8.776	10.077	11.486	12.043	9.136
October	12.594	16.552	10.389	18.875	23.750	14.769	9.223	10.316	11.362	11.966	8.647
November	12.594	16.552	10.779	18.875	23.750	13.875	9.419	10.153	11.554	12.596	8.441
December	12.594	19.071	10.704	18.875	23.750	13.875	9.288	10.340	12.305	12.671	7.849
Year	12.594	14.398	14.437	14.902	21.477	17.552	9.338	9.783	11.333	12.220	10.202

ZINC, DOMESTIC

January	10.500	11.077	17.500	9.763	17.500	19.500	12.588	9.760	11.500	13.431	13.500
February	10.500	12.000	17.500	9.750	17.500	19.500	11.483	9.375	11.500	13.500	13.500
March	10.500	12.000	17.056	9.940	17.500	19.500	11.029	9.637	11.500	13.500	13.500
April	10.500	12.000	14.058	10.664	17.500	19.500	11.000	10.250	11.925	13.500	13.500
May	10.500	12.000	11.880	11.973	17.500	19.500	11.000	10.286	12.000	13.500	11.923
June	10.500	12.000	9.548	14.647	17.500	15.740	11.000	10.960	12.232	13.500	10.860
July	10.500	12.462	9.360	15.000	17.500	15.000	11.000	11.000	12.500	13.500	10.005
August	10.500	15.000	10.000	15.052	17.500	14.061	10.982	11.000	12.500	13.500	10.000
September	10.500	15.000	10.005	17.100	17.500	13.983	10.180	11.408	12.928	13.500	10.000
October	10.500	15.240	9.220	17.500	19.500	13.297	10.000	11.500	13.000	13.500	10.000
November	10.500	16.786	9.750	17.500	19.500	12.500	10.000	11.500	13.000	13.500	10.000
December	10.500	17.500	9.753	17.500	19.500	12.500	10.000	11.500	13.000	13.500	10.000
Year	10.500	13.589	12.144	13.866	18.000	16.215	10.855	10.681	12.299	13.494	11.399

[1] $4.03 through Sept. 17, 1949.

TABLE Z-8.—*Metal price—Zinc*—Continued

ZINC LONDON[1]

[Amounts in Cents]

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
January	2.094	1.574	1.571	1.117	1.375	4.250	(1.464)	(0.632)	(0.770)	(0.827)	(0.893)
February	2.094	1.493	1.571	.926	1.375	4.250	(1.215)	(.347)	(.318)	(.949)	(1.089)
March	2.094	1.493	2.015	.924	1.375	4.250	(1.128)	(.255)	(.469)	(.805)	(1.425)
April	2.094	1.493	4.203	.947	2.500	4.250	(2.085)	(.294)	(.792)	(1.220)	(1.208)
May	2.094	1.493	4.805	.874	2.500	2.250	(2.371)	(.245)	(.790)	(1.645)	(1.201)
June	2.094	1.493	4.863	.925	2.500	1.406	(2.144)	(.970)	(.808)	(1.749)	(1.572)
July	2.094	1.031	2.636	.926	4.664	1.250	(1.834)	(1.205)	(1.097)	(1.815)	(.611)
August	2.094	(1.507)	1.696	1.011	6.250	1.209	(1.864)	(1.585)	(1.286)	(1.550)	(.703)
September	2.094	(1.507)	1.104	.717	6.250	1.401	(1.404)	(1.231)	(1.442)	(1.457)	(.854)
October	2.094	1.312	1.069	1.275	4.250	1.472	(.777)	(1.134)	(1.638)	(1.534)	(1.332)
November	2.094	(.224)	1.029	1.275	4.250	1.375	(.581)	(1.347)	(1.445)	(.904)	(1.539)
December	2.094	1.571	.951	1.275	4.250	1.375	(.712)	(1.160)	(.695)	(.839)	(2.151)
Year	2.094	.809	2.293	1.036	2.477	1.237	(1.517)	(.898)	(.966)	(1.224)	(1.197)

[1] $4.03 through Sept. 17, 1949.

NOTE.—Parentheses ( ) denote red figures.

TABLE Z-9.—*Stocks of slab zinc*

[In tons of 2,000 pounds]

	At metallurgical works [1]	In transit to consumers	At consumers plants [2]	Total
Jan. 1, 1949	20,848	11,148	96,884	127,880
Jan. 1, 1950	94,221	11,367	[r] 81,801	187,389
Jan. 1, 1951	8,884	13,455	[r] 64,206	86,545
Jan. 1, 1952	21,980	14,039	[r] 50,584	86,603
Jan. 1, 1953	35,021	7,709	[r] 92,274	135,004
Jan. 1, 1954	179,993	5,100	[r] 85,695	270,788
Jan. 1, 1955	123,206	8,800	[r] 103,706	235,902
Jan. 1, 1956	39,264	16,000	[r] 122,544	178,808
Jan. 1, 1957	66,875	10,000	[r] 104,963	181,838
Feb. 1, 1957	73,974	10,000	90,500	179,474
Mar. 1, 1957	86,580	9,500	88,232	184,621
Apr. 1, 1957	89,357	6,600	89,626	185,583
May 1, 1957	105,531	4,900	84,648	195,079
June 1, 1957	112,093	6,200	71,124	190,117
July 1, 1957	133,455	5,600	[r] 70,632	[r] 209,687
Aug. 1, 1957	[r] 146,179	6,900	72,288	225,367
Sept. 1, 1957	149,206	6,000	74,078	229,274
Oct. 1, 1957	153,766	7,000	71,919	232,685
Nov. 1, 1957	155,925	7,100	72,111	235,136
Dec. 1, 1957	152,518	(3)	(3)	(3)
Jan. 1, 1958	166,655	(3)	(3)	(3)

[1] At primary and secondary plants.
[2] By consumers is meant galvanizers, brass makers, die casters, etc.
[3] Stocks of remelt spelter excluded as follows: Jan. 1, 1950, 103 tons; Jan. 1, 1951, 629 tons; Jan. 1, 1952, 479 tons; Jan. 1, 1953, 583 tons; Jan. 1, 1954, 467 tons; Jan. 1, 1955, 476 tons; Jan. 1, 1956, 595 tons; Jan. 1, 1957 552 tons.
[4] Not yet available.
[r] Revised.

Source: ABMS.

TABLE Z-10.—*Zinc imports and exports* [1]

	Ore (content)	Blocks, pigs, etc.	Total	Export	Net
1956	535,350	244,978	770,328	9,668	760,660
1957—January	42,180	27,493	69,663	503	69,179
February	41,314	24,287	65,601	503	65,098
March	42,296	22,761	65,057	987	64,070
April	45,630	30,036	75,666	1,200	74,466
May	47,619	20,375	67,994	877	67,117
June	41,633	23,406	65,039	821	64,218
July	36,709	21,899	58,608	3,769	54,839
August	41,048	22,568	63,616	780	62,837
September	44,223	15,525	59,748	446	59,302
October	46,209	21,776	68,045	518	67,527
November	48,171	16,081	64,252	156	64,096
December	48,629	22,050	70,698	222	70,476
Total	525,730	268,276	794,006	10,791	783,215

[1] This table is based on "general imports" as reported by U. S. Bureau of Census, whereas table Z-1 is based on "imports for consumption" as reported by U. S. Bureau of Customs. Monthly figures of 1957 "imports for consumption" are not available. The minor difference between these two methods of reporting is not too significant in view of the very large quantities of imported zinc in both tabulations.

Source: American Bureau of Metal Statistics.

AMENDMENT

Amendment offered by Mr. ———— to the bill (H. R. 12591) before the Committee on Finance of the Senate, amendment to be inserted in the proper place in the bill

Chapter 88 of the Internal Revenue Code of 1954 is hereby amended as follows:

(a) by redesignating subchapter G as H;

(b) by renumbering sections 4601, 4602, and 4603 as sections 4631, 4632, and 4633, respectively; and

(c) by inserting after subchapter F the following new subchapter:

"Subchapter G—Lead and Zinc

"Part I. Lead.
"Part II. Zinc.
"Part III. General Provisions.

"PART I—LEAD

"SEC. 4601. IMPOSITION OF TAXES.

"All duties imposed under paragraphs 391 and 392 of the Tariff Act of 1930, as amended, shall cease to be applied to articles specified in this section, imported into the United States, on and after the day of initial application of this section pursuant to the conditions provided for in part III hereof; and thereupon there shall be applied to such articles and to the articles provided for in paragraph 72 of the Tariff Act of 1930, as amended, imported into the United States, in addition to the duties provided in such paragraph taxes at the rates set forth in this section subject to the conditions provided for in part III hereof.

"Article	
Articles described in paragraph 72 of the Tariff Act of 1930, as amended:	
Litharge	3 cents per pound.
Orange mineral	2.5 cents per pound.
Red lead	3 cents per pound.
White lead	3.05 cents per pound.
Pigments containing lead, dry, in pulp, or ground in or mixed with oil or water, n. s. p. f.:	
In chief value of suboxide of lead	3 cents per pound.
Other	20 per centum ad valorem.
Articles described in paragraph 391 of the Tariff Act of 1930, as amended:	
Lead-bearing flue dust, mattes, and ores of all kinds	2.8 cents per pound on lead content.
Articles described in paragraph 392 of the Tariff Act of 1930, as amended:	
Lead bullion or base bullion, lead in bars and pigs, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, Babbitt metal, solder, type metal, and all alloys or combinations of lead n. s. p. f.	4 cents per pound on lead content.
Lead in sheets, pipe, shot, glaziers lead, and lead wire	4¼ cents per pound.

"PART II—ZINC

"SEC. 4611. IMPOSITION OF TAXES.

"All duties imposed under paragraphs 393 and 394 and the duties imposed on zinc wire under paragraph 316 (a) of the Tariff Act of 1930, as amended, shall cease to be applied to articles specified in this section, imported into the United States, on and after the day of initial application of this section pursuant to the conditions provided for in part III hereof; and thereupon there shall be applied to such articles and to the articles provided for in paragraphs 77 and 93 of the Tariff Act of 1930, as amended, imported into the United States, in addition to the duties provided in such paragraphs taxes at the rates set forth in this section subject to the conditions provided for in part III hereof.

"Article	
Articles described in paragraph 77 of the Tariff Act of 1930, as amended:	
Lithopone, and other combinations or mixtures of zinc sulphide and barium sulphate containing by weight of zinc sulphide:	
Under 30 per centum	1.875 cents per pound.
30 per centum or more	1.875 cents per pound and 15 per centum ad valorem.
Zinc oxide and leaded zinc oxides containing not over 25 per centum of lead:	
Ground in or mixed with oil or water	3.5 cents per pound.
In any form of dry powder	3.5 cents per pound.
Articles described in paragraph 93 of the Tariff Act of 1930, as amended:	
Zinc chloride	2 cents per pound.
Zinc sulphate	1.6 cents per pound.
Zinc sulphide	2.7 cents per pound.
Articles described in paragraph 316 (a) of the Tariff Act of 1930, as amended:	
Zinc wire	4 cents per pound and 20 per centum ad valorem.
Articles described in paragraph 393 of the Tariff Act of 1930, as amended:	
Zinc-bearing ores of all kinds, except pyrites containing not over 3 per centum of zinc.	2.5 cents per pound on zinc content.
Articles described in paragraph 394 of the Tariff Act of 1930, as amended:	
Zinc in blocks, pigs, or slabs, and zinc dust	4 cents per pound.
Zinc in sheets: Coated or plated with nickel or other metal (except gold, platinum, or silver) or solutions	4 cents per pound and 20 per centum ad valorem.
Other	Do.
Zinc, old and worn out, fit only to be remanufactured, zinc dross, and zinc skimmings	4 cents per pound.

"(b) In addition to any other tax or duty imposed by law, there are hereby imposed upon the articles described in paragraphs 5, 341, 380, 381, and 397 of the Tariff Act of 1930, as amended, imported into the United States taxes at the rate of 4 cents per pound on the zinc contained therein, subject to the conditions provided for in part III hereof.

"PART III—GENERAL PROVISIONS

"SEC. 4621. DEFINITIONS.

"For purposes of this subchapter—

"(a) The terms 'average market price for lead' and 'average market price for zinc' mean, respectively, the average market price for common lead (in standard shapes and sizes delivered at New York City), and the average market price for slab zinc (prime western, free on board, East Saint Louis, Illinois), each determined for a period of one month as provided in section 4622.

"(b) The term 'imported for use' applied to any article means that the article is imported by or for the account of a person who intends to use the article, or to process, manufacture, fabricate, or combine it to produce a different article.

"(c) The term 'sold for use' applied to any article means that the article has been sold or otherwise transferred, or is subject to a binding agreement for sale or transfer, to a purchaser or transferee who intends to use the article, or to process, manufacture, fabricate, or combine it to produce a different article.

"SEC. 4622. APPLICABILITY OF TAXES.

"(a) EFFECTIVE DATE.—The provisions of sections 4601, 4611, and 4623 shall be effective on and after the first day of the third calendar month, which began at least fifteen days after the enactment of the Trade Agreements Extension Act of 1958.

"(b) DETERMINATION BY TARIFF COMMISSION.—As soon as practicable after the fifteenth day of the calendar month which precedes the effective date of sections 4601, 4611, and 4623, and as soon as practicable after the fifteenth day of each subsequent calendar month, the United States Tariff Commission shall determine the average market price for lead and the average market price for zinc during the period of one month ending with the fifteenth day of such calendar month, and shall notify the Secretary of the Treasury, or his delegate, of its determination, and shall cause such notification to be published in the Federal Register, as soon as practicable, but in no even later than the last day of such calendar month.

"(c) APPLICABILITY OF TAXES—LEAD.—If the average market price for lead so notified shall be 17 cents per pound or more, the tax imposed by section 4601 shall not be applied to articles described therein entered for consumption, or withdrawn from warehouse for consumption, during the calendar month following the first such determination and each subsequent such determination. If the average market price for lead so notified shall be below 17 cents per pound, the tax imposed by section 4601 shall be applied to articles described therein entered for consumption, or withdrawn from warehouse for consumption, during the calendar month following the first such determination and each subsequent such determination.

"(d) APPLICABILITY OF TAXES—ZINC.—If the average market price for zinc so notified shall be 14½ cents per pound or more, the tax expressed as cents per pound (but not the tax expressed as ad valorem per centum) imposed by section 4611 shall not be applied to articles described therein entered for consumption, or withdrawn from warehouse for consumption, during the calendar month following the first such determination and each subsequent such determination. If the average market price for zinc so notified shall be below 14½ cents per pound, the tax imposed by section 4611 shall be applied to articles described therein entered for consumption, or withdrawn from warehouse for consumption, during the calendar month following the first such determination and each subsequent such determination.

"SEC. 4623. MISCELLANEOUS PROVISIONS.

"(a) ENTRY OF CERTAIN ARTICLES.—On and after the effective date of sections 4601 and 4611, certain articles described therein shall be entered, and the tax imposed by such sections shall be paid, as follows:

"(1) Lead-bearing flue dust, mattes and ores of all kinds, described in paragraph 391 of the Tariff Act of 1930, as amended, and zinc-bearing ores of all kinds, except pyrites containing not over 3 per centum of zinc, described in paragraph 393 of the Tariff Act of 1930, as amended, shall be entered for consumption, and shall be subject to the taxes imposed on such articles by section 4601 or 4611, at the case may be, if such taxes are applicable on the data of entry.

"(2) Any article described in section 4601 and in subsection (a) of section 4611, except as specified in paragraph (1) of this subsection, shall be duly entered for warehouse by the importer under bond. Any such article may be withdrawn from warehouse only upon proof by the importer that such article has been sold for use, and any article so withdrawn shall be subject to the tax imposed by section 4601 or 4611, as the case may be, if such tax was applicable on the date

such article was sold for use: *Provided*, That during any month in which the tax provided by section 4601 or 4611, as the case may be, is applicable with respect to an article covered by this paragraph, such article may be entered for consumption, or may be withdrawn from warehouse for consumption without proof that such article has been sold for use, upon payment of the tax imposed by section 4601 or 4611, as the case may be, applicable to such article, and payment of the applicable tariff, if any: *And provided further*, That any article covered by this paragraph may be entered by the importer for consumption upon filing proof that such article was imported for use, and upon payment of the tax imposed on such article by section 4601 or 4611, as the case may be, if such tax is applicable on the date of entry, and payment of the applicable tariff, if any: *And provided further*, That any article covered by this paragraph may be entered by the importer for transportation in bond through the United States pursuant to the provisions of section 553 of said Tariff Act of 1930 free of any tax imposed by section 4601 or 4611.

"(b) BONDED SMELTING WAREHOUSES, ETC.—The first proviso of section 3 of the Act of June 18, 1934 (19 U. S. C. 81c) and section 312 of the Tariff Act of 1930 (19 U. S. C. 1312) shall not apply to any articles described in parts I and II of this subchapter.

"(c) REGULATIONS, ETC.—The Secretary or his delegate is authorized to prescribe such rules and regulations, the form, condition, and amounts of such bonds, and the form of, and time and manner of filing, such reports as may be necessary to carry into effect the provisions of this subchapter."

SEC. 2. (a) The second sentence of section 4222 of the Internal Revenue Code of 1954 is amended by striking out "or D" and inserting "D, or G"; and by striking out "4601" and inserting "4631."

(b) Sections 6156, 6207 (9), and 6304 of such code are amended by striking out "and E" and inserting "E, and G"; and by striking out "4601" and inserting "4631."

SEC. 3. (a) Subject to the provisions of section 4622 (a) of the Internal Revenue Code of 1954, as added by section 1, this Act shall enter into force on the day following the day of its enactment.

(b) Notwithstanding the provisions of section 4631 of the Internal Revenue Code of 1954 (as renumbered by this Act), the taxes imposed by sections 4601 and 4611 of such Code (as added by this Act) shall apply to the articles enumerated in such sections, and at the rates specified in such sections, without regard to the provisions of any trade agreement entered into or modified under the authority of section 350 of the Tariff Act of 1930, as amended (48 Stat. 943; 19 U. S. C. 1351), or of any Presidential proclamation heretofore or hereafter made thereunder, or of any other agreement whether such trade agreement or other agreement was entered into before the date of the enactment of this Act or is entered into on or after such date.

The CHAIRMAN. Mr. James E. Mack is the next witness.

STATEMENT OF JAMES E. MACK, ROLLED ZINC EMERGENCY TARIFF COMMITTEE

Mr. Chairman, my name is James E. Mack. I am an attorney here in Washington and appear as counsel of an industrial committee known as the Rolled Zinc Emergency Tariff Committee, the members of which manufacture more than 90 percent of the rolled zinc produced in the United States.

The companies participating are: Atlantic Zinc Works, Brooklyn, N. Y.; Ball Bros. Co., Muncie, Ind.; Edes Manufacturing Co., Plymouth, Mass.; Illinois Zinc Co., Chicago, Ill.; Imperial Type Metal Co., Philadelphia, Pa.; Matthiessen & Hegler Zinc Co., La Salle, Ill.; and Platt Bros. & Co., Waterbury, Conn.

To briefly define this industry, let me say that the zinc rolling companies start with zinc metal in slab form that is usually 99 plus percent pure zinc.

This metal is melted, cast into molds of a desired size and shape, and then rolled into strip that may be wound into long coils or rolled

into sheets that may be stretched, leveled, polished, ground, or otherwise treated and then trimmed to very exact dimensions.

The zinc sheets, plates, and strips that result from these processes may be used for making engraver's plates, lithographic plates, weatherstrip, terrazzo strip for terrazzo flooring, identification tags, termite protective sheeting, flashing, gutters, mailbag grommets, drawn zinc batter cans, or for many other uses.

Senator KERR. You have used the word "grommets."

Will you tell us what it is?

Mr. MACK. It is a small ring that is placed in a series along the top of the mailbag to prevent tearing when the cord is placed through.

Senator KERR. Like an eye in a shoe?

Mr. MACK. That is right; that is a good answer, Senator.

You have seen them in mailbags.

Senator KERR. Well, I may have, but up until this moment I was not aware of what they were called; I thought they were an eye, you see.

Mr. MACK. All of the facilities that are required for the rolling of zinc are available today in the Netherlands, West Germany, Belgium, Italy, France, and in the British Isles.

However, with the exception of the facilities owned by the companies I represent there are almost no facilities in the Western Hemisphere for the rolling of zinc.

The Rolled Zinc Emergency Tariff Committee is opposed to H. R. 12591 in its present form and recommends that amendments be made by this committee before reporting the measure to the Senate. It is our belief that:

(1) A 5-year extension as proposed in the House bill is too long. We are of the opinion that Congress already has gone too far in abdicating its legislative function as provided in the Constitution for controlling tariffs. The Congress should act to reassert its constitutional responsibilities rather than act to further delegate them.

In our opinion, the Trade Agreements Act should not be extended for more than 2 years. I do not believe it will be disputed that there has been a one-sided administration of the act with little or no concern for the welfare of domestic industries adversely affected by imports.

An extension for only 2 years would permit Congress to maintain closer control and be in a position to terminate the delegation of authority, should there not be a fair administration.

Inasmuch as this committee already is fully apprised regarding the treatment given industries which have applied for increased import protection under the escape clause, I shall not, unless requested, discuss this aspect in detail.

(2) Any authority to reduce tariffs further should be limited to 5 percent each year for 2 years, which reductions should not become initially effective after that 2-year period.

In view of the extensive reductions which already have transpired, serious question might be raised as to whether any further reductions should be authorized. However, with the recommendation which we will make following this recommendation, reductions of 5 percent per year for 2 years might be undertaken on some commodities with proper safeguards.

(3) The Tariff Commission should prepare the list of items on which public hearings will be held to determine peril points and the items

subject to negotiation instead of the present practice of the list being prepared by the Trade Agreements Committee.

(4) The provision for Congress to affirm the recommendations of the Tariff Commission over the objection of the President should be by a majority vote of both Houses rather than by a two-thirds vote. The provision in the House bill permitting such action by a two-thirds vote is a meaningless gesture.

Let us look at the situation from a practical standpoint.

Industries today needing increased import protection first must convince the Tariff Commission.

This, in itself, is a very difficult task and to win a case at the Tariff Commission for increased import protection, overwhelming evidence is necessary.

After a case is won in the Tariff Commission and the Commission's recommendations are sent to the President, the future of the particular industry concerned is determined by the decision of the President with the aid of his advisers and the advice of the Commerce and State Departments, among others, who ususally recommend against increased import protection for the domestic industry.

Even if Congress should be permitted by a majority vote of both Houses to affirm the Tariff Commission's recommendations over the objection of the President, the road still would be a difficult one, exceedingly difficult when a small industry is involved.

To illustrate my point, let us turn to the lead and zinc mining industry, which is not a small industry, but one which has tremendous political interest and support in connection with its problems.

The President, very early last fall, requested the Tariff Commission to expedite an investigation under the escape-clause procedure of the lead and zinc industry.

After the Tariff Commission concluded its investigation and all six Commissioners recommended increased import protection, the President should have been in a position to act quickly, particularly since he had requested the Tariff Commission to expedite its investigation.

You know what has happened.

The President, instead of acting promptly, waited until almost the end of the 60-day period in which he is required to act and then announced that he is further suspending action pending congressional consideration of a subsidy program for lead and zinc which would cost the taxpayers tremendous amounts of money.

This is an example of the attention a politically powerful industry receives. A small industry is completely at the mercy of administrative whim. The lead and zinc case is an excellent example of abuse in the administration of the act.

The Rolled Zinc Emergency Tariff Committee, while sympathetic and ever mindful of the problem of the zinc mining industry, is taking no position on the controversial subject of the proper import duty on slab zinc or on zinc concentrates.

We ask only that if increased import protection should be imposed on zinc metal that compensatory changes be made in the applicable import duties on our products.

(5) The Tariff Commission should be authorized to consider the effects on related industries when holding an escape clause investiga-

tion on basic industries. In order to explain this recommendation I must briefly review the problems of the rolled zinc industry.

Last year H. R. 8257 was introduced. This bill proposed to enact part of the administration's long-range metals program into law and specifically proposed to raise the duties on imports of zinc concentrates, zinc in slab form, zinc sheets, and other enumerated items.

The administration strongly supported this bill. A majority of the members of the House Ways and Means Committee, however, concluded that existing administrative remedies should be exhausted, even though not completely adequate, before resorting to legislation.

Accordingly, the lead and zinc industries filed an application with the United States Tariff Commission and requested relief under the escape clause.

This application included rolled zinc strip, rod and wire, as well as sheet and plate. The Tariff Commission ruled that the rolled zinc products constituted a separate industry and that, therefore, these products could not be included in the same escape clause action.

When we learned of this, we filed a separate escape clause application for the same rolled zinc products.

The Tariff Commission ruled, however, that the language of the escape clause provision would not authorize the Commission to recommend increased duties on rolled zinc products, even though they might recommend an increase on slab metal duty that would make the duty on slab metal higher, by 100 per cent, than the duty on the same metal in sheet form or plate form.

In effect they told us that according to present rules our industry would have to wait until the increased duty on slab metal actually created sufficient imports of foreign rolled zinc products before section 7 could be used for our protection.

In other words, the Tariff Commission ruled that the provision in the escape clause authorizing increased import protection when injury to the domestic industry is threatened means a threat based on the then current rates of duty and not a threat which would occur should the import duties on raw materials be increased.

It is quite possible under such regulations that sizable portions of the rolled zinc industry might be out of business before we could satisfy the present requirements to obtain additional tariff protection.

Upon careful reflection we felt that there was one administrative remedy still open to us, and only one. The same article XXVIII which it was stated the administration would use to put the increased tariff into effect if the tariff had been increased by legislative action (H. R. 8257) could be used to accomplish the same purpose if the tariff into effect if the tariff had been increased by legislative action

Accordingly, our group filed on November 22, 1957, an application asking for relief under article XXVIII of the General Agreement on Tariffs and Trade. We felt that our situation met the "special circumstances" requirement of article XXVIII.

Action still is pending on this application. I shall not, however, discuss the situation pertaining to this application unless requested to do so by the committee, in which event I shall be pleased to discuss it.

The point which I would like to make is that some disagreement has been expressed as to the correctness of the Tariff Commission ruling. It has been suggested that under the escape clause, the Tariff Commission already has authority to include related industries in

escape clause applications on the basis that the provision in the escape clause regarding threatened injury also means threatened injury contingent on anticipated increased import protection on raw materials or on products which are supplied to other industries for further processing.

To clarify the matter, however, we believe statutory provision should be made authorizing the Tariff Commission, in holding an escape clause investigation, also to consider the effect on related industries and to submit recommendations to the President for increasing import protection on these related industries at the time recommendation is submitted to increase the import protection on the basic industries.

The House Report on H. R. 12591 on page 9 states as follows:

> The committee recognized that effective relief in the case of some products on which trade agreement concessions have been granted may suggest the advisability of some remedial action on certain closely related nonconcession products. In such a case, the committee agreed that the Tariff Commission should draw to the attention of the President such other course of action as it might deem appropriate to avoid injury.

Although the above-quoted paragraph refers to nonconcession items, it would seem to follow that if the Commission is authorized to recommend action on items not within its scope of consideration, because of their being nonconcession items, that the Commission also should be authorized to recommend specific action on concession items which are directly under its jurisdiction.

The statement in the House report would seem to imply such authority; however, it does not specifically so state. Therefore, it is our request that the statute be amended to specifically provide this authority.

Let me illustrate the importance of this recommendation.

The rolled zinc industry, as I have already indicated, manufactures zinc sheet, strip, rod, wire, and plates. These products are manufactured almost 100 percent from the basic zinc metal. If there should be any increased import protection on the basic zinc metal in equity there should be and, necessarily there must be, if the industry is to survive, simultaneous and proportionate upward adjustments in the duty on rolled zinc products.

Under current Tariff Commission interpretations, such a simultaneous consideration is not in order and we are asking that the statute be amended to provide for consideration of the products of related industries.

I would like to state that we are very much concerned with what, appears to be a new determination to handle cases of injury to domestic industries by providing direct subsidies instead of increasing the import protection.

In our opinion, the tariff is the logical way to protect, not by means of subsidization. A subsidized industry is not a healthy industry. If a policy of subsidization were practiced generally, we would have a Nation of sick industries and fantastic expense to the taxpayers.

Recently, we have been told by leaders of both parties that the Nation could not afford tax reduction, a decision which most citizens have accepted reluctantly.

Now, however, we understand that a program is being considered for subsidizing various mineral industries as an alternative to increased import protection, a program which would cost $350 million to finance.

Inasmuch as it is the function of this committee to consider taxes, I would like to say that if we can afford such extravagant subsidies, and we believe them to be not only extravagant but unwise, then it would seem far preferable to increase the import protection for the benefit of mineral and related industries and then to reduce taxes.

For example, Federal excise taxes, according to information supplied by the Internal Revenue Service, indicate that if we were to spend $350 million in tax reduction instead of mineral subsidies, then we could repeal entirely the excise taxes on refrigerators, deep freezers, air conditioners, hot water heaters, kitchen ranges, clothes driers and ironers, dehumidifiers, dishwashers, and many other electric, gas, and oil appliances, electric light bulbs, radio and television sets, phonographs, photographic equipment, fountain pens, mechanical pencils, lighters, and matches.

We believe, therefore, that the sound and constructive approach, if the mineral industries are to be assisted, would be tariff protection and then to spend the $350 million in tax reduction for the benefit of taxpayers.

We urge your careful consideration of our recommendations.

The CHAIRMAN. Thank you, Mr. Mack.

I want to say that I thoroughly agree with you that industries that are injured by importation should not be subsidized but there should be other means to remedy the situation. If we carry that to the logical conclusion there may be many industries that, in the future, will need to be subsidized.

Any questions?

Senator KERR. Isn't it a fact, Mr. Mack, that the program kind of gets down to these elements: No. 1, excessive concessions under the Reciprocal Trade Agreements Act actually amount to the transfer of economic benefits to the nations who receive and use the concessions?

Mr. MACK. That is our viewpoint, sir.

Senator KERR. So actually that is foreign aid in another form, is it not?

Mr. MACK. Yes, sir.

Senator KERR. Doesn't it look like folly to you not only that we would grant a concession in reciprocal trade agreements, as you say, that would create a sick industry here, that would require subsidization to the extent of $350 million a year just for one industry, but at the same time have a fight over here trying to get the foreign aid program reduced from what we think are exorbitant levels and then open up another door which, by itself, actually amounts to $350 million additional foreign aid but made in a different form and paid for by taxing our people and providing a subsidy to the industry thus injured?

Mr. MACK. Absolutely, Senator, I could not believe this program had been proposed until I saw it in print; I just could not believe it.

Senator KERR. When there is a remedy so readily available?

Mr. MACK. Yes.

Senator KERR. Authorized by law, and in fact, specified in the very law which is in effect being bypassed to create the situation?

Mr. MACK. In that connection, Senator, I think it is very interesting that the President asked the Tariff Commission to expedite its investigation of the lead, zinc situation, and then after they did expedite it

to the extent possible, and it arrived at the White House, the President failed to act within the statutory period of 60 days.

Senator KERR. Did nothing whatever.

Mr. MACK. That is right, sir.

Senator KERR. Let us refer to the history of that investigation, the result of it and the ignoring of it by the President.

Mr. MACK. Well, sir, you know the entire history started——

Senator KERR. The application was filed under the provisions of the Reciprocal Trade Agreements Act?

Mr. MACK. Yes, sir.

Senator KERR. Under a provision which Congress after long deliberation and labor and effort put into the act to protect domestic industry.

Mr. MACK. Yes, sir.

Senator KERR. And the lead and zinc industry made its application, the Tariff Commission made its investigation, and made its report to the President.

Mr. MACK. All six commissioners recommended some increase in the import protection.

Senator KERR. Recommended action.

Mr. MACK. Yes, sir.

All six commissioners.

Senator KERR. To avert serious injury under the operation of the act.

Mr. MACK. Yes, sir.

Senator KERR. And no action whatever was taken by the White House.

Mr. MACK. Yes, sir.

Senator KERR. No action whatever was taken, you say——

Mr. MACK. To date.

Senator KERR. No action has been taken by the White House; is that correct?

Mr. MACK. Yes, sir.

Senator KERR. They have, however, come to the Congress and asked for a subsidy program that would cost $350 million, to keep a great American industry alive, whose operations are at the low level they are, and whose vitality is in the weakened condition that it is by reason of the operation of the reciprocal trade agreements program.

Mr. MACK. Yes, sir.

Senator KERR. Is that correct?

Mr. MACK. That is my understanding, sir.

Senator KERR. Is that your belief, conviction, and judgment?

Mr. MACK. Yes, sir.

Senator KERR. Thank you very much.

The CHAIRMAN. Any further questions?

Senator DOUGLAS. Mr. Chairman, unless members who are senior to me wish to ask questions I would like to file my application to ask questions.

The CHAIRMAN. You do not have to file an application, Senator, just go ahead and ask the question.

Senator DOUGLAS. Mr. Mack, you refer to the administration subsidy program for lead and zinc.

Is it your understanding this is to be extended to copper as well?

Mr. MACK. The provisions that were reported by the committee, I can read the exact provision, I believe with reference to copper which I believe I have here—for copper, this is the announcement——

Senator DOUGLAS. Is this from the committee, the Interior Committee?

Mr. MACK. This is from the Daily Report for Executives, Bureau of National Affairs, Friday, June 27, 1958.

Senator DOUGLAS. This is the recommendation of the Interior Committee?

Mr. MACK. Yes, sir.

Senator DOUGLAS. Thank you.

Copper, how much?

Mr. MACK (reading):

For copper the 150,000 ton, 1-year stockpiling program was retained as agreed to by Interior Secretary Fred Seaton. Several changes were made in the language of the copper provision. The words "domestic production" were changed to "produced from domestically mined ores," and the price stipulation was amended to provide for payments by the Government at market price but not to exceed 27.5 cents per pound.

This provision, it was explained, would permit sales of copper to the Government at less than 27.5-cent premium price in the interests of drawing off the excess stocks from the market.

Senator DOUGLAS. In other words, the stockpile purchase of 150,000 tons a year.

What proportion of the domestic production would that be, do you know?

Mr. MACK. I don't know that.

Senator DOUGLAS. You don't specialize in copper?

Mr. MACK. I don't have that information, Senator.

Senator DOUGLAS. What about lead and zinc?

Mr. MACK. You would like to know the committee recommendations, sir?

Senator DOUGLAS. Yes, sir.

Mr. MACK. They are:

The increased stabilization ceilings approved were as follows: Lead from 14¾ cents——

Senator DOUGLAS. That was the administration's proposal?

Mr. MACK. "To 15.5 cents."

Senator DOUGLAS. The administration's proposal was 14¾?

Mr. MACK. I am not sure—I believe originally that was it. I think 15.5 was the latest recommendation.

Senator DOUGLAS. The committee increased it to 15½; is that right?

Mr. MACK. Yes, sir. The maximum payment though was still 4 cents. And I believe that was the original administration recommendation of 4 cents.

But I cannot be absolutely sure of that, sir.

Senator DOUGLAS. And zinc?

Mr. MACK. Zinc from 12¾ cents to 13½ cents per pound, maximum payment 4 cents.

Senator DOUGLAS. Now to what extent will this raise the market price for lead, zinc, and copper.

Mr. MACK. You say to what extent would this raise the market price?

Senator DOUGLAS. The market price, yes, for fabricators.

Mr. MACK. Senator, I would guess, but there are people who could give you a direct answer, one would have been Mr. Schwab, had he been here today.

Senator DOUGLAS. Can't you give me the answer?

Mr. MACK. I do not know the answer to that.

I could guess but I do not think it should go into the record.

Senator DOUGLAS. With the understanding you won't be held to prevision, we would appreciate it if you would give us your best estimate.

Mr. MACK. Well, I would question whether the market price would be raised if they got this subsidy. To the contrary, it might be even lowered in which event the taxpayers would still have to pay the cost without proportionate industry benefit.

Senator DOUGLAS. Now then is it your understanding that the administration is proposing a production payment system?

Mr. MACK. I do not know, sir.

Senator DOUGLAS. Well, you are an expert on this subject.

Is this a production payment?

Mr. MACK. I did not hear you, sir.

Senator DOUGLAS. Where they buy at market price and then——

Mr. MACK. Excuse me, production payment, that is just what I was discussing, sir.

Senator DOUGLAS. I wanted to find that out.

They would buy at market price and then pay a subsidy equivalent to the difference between market price——

Mr. MACK. That is right, and 15½ cents.

Senator DOUGLAS. In other words, this is the Brannan plan?

Mr. MACK. Yes, I think it might be described as that, sir.

Senator DOUGLAS. It is the Brannan plan for metals?

Mr. MACK. Yes, sir.

Senator DOUGLAS. You say the cost of this would be $350 million a year?

Mr. MACK. This is what this report said and what other reports have stated.

Senator DOUGLAS. Including the subsidy on copper?

Mr. MACK. Yes, sir.

Senator DOUGLAS. Now, is it your understanding that this is acceptable to the primary producers and first processors of zinc, lead, and copper?

Mr. MACK. I cannot speak for them, sir.

Senator DOUGLAS. I am somewhat struck with the fact that the representative of the Emergency Zinc and Lead Committee, Mr. Schwab, who was to have testified this morning, has not appeared and has asked to be permitted to make a later statement.

I shall be much interested as to what attitude they adopt, what attitude copper adopts, because, this is an effort by the administration to buy off the opposition of the zinc, lead, and copper mining States and the first processors so that they will not oppose the reciprocal trade bill; isn't that true?

Mr. MACK. I think it was an effort in that direction.

I think they would prefer the tariff approach, however, Senator.

Senator DOUGLAS. Well, you mean the administration?

Mr. MACK. No, sir, the industries concerned.

Senator DOUGLAS. But you think it is an effort to buy off these people?

Mr. MACK. I would not use those words, sir.

Senator DOUGLAS. What would you use?

Mr. MACK. I would not comment on that, Senator.

Senator DOUGLAS. Well, it was an effort to soften the opposition of this group, would you accept that—of these groups?

Mr. MACK. Well, Senator, you are an expert on legislative strategy and I am not.

Senator DOUGLAS. No, I am not.

As I watch you gentlemen——

Mr. MACK. I am an outsider.

Senator DOUGLAS. As I watch you gentlemen testify, I know I am a novice here.

Mr. MACK. I am an outsider, sir.

Senator DOUGLAS. You are?

Mr. MACK. And you know thoroughly the operation of the legislative process.

Senator DOUGLAS. You are the attorney for the Rolled Zinc Emergency Tariff Committee.

Mr. MACK. I am very happy to talk about rolled zinc.

Senator DOUGLAS. You are very much of an insider, and we are the outsiders. We would welcome information on this point.

Do you think this is an effort to soften the opposition of the copper, lead, and zinc mining and first processing industries to reciprocal trade?

Mr. MACK. Well, I do not see how it could be interpreted any other way, sir.

Senator DOUGLAS. That is what I understood.

Mr. MACK. But I think you are far better able than I am to evaluate legislative processes.

Senator DOUGLAS. I had those suspicions, Mr. Mack, but being a charitable man I did not want to express them publicly until I had them confirmed by expert testimony.

Now, Mr. Mack, you are opposed to the subsidy plan?

Mr. MACK. Yes, sir.

Senator DOUGLAS. That leaves you out in the cold, does it not?

It protects the mining groups and first fabricators but does not protect the processors?

Mr. MACK. No, sir; that is not the position—we do not know that this would do any injury to our industry.

Senator DOUGLAS. No; but it does not do you any good.

Mr. MACK. We are not seeking good in that sense.

Senator DOUGLAS. Well, it does not do you any benefit.

Mr. MACK. We are not seeking benefit.

Senator DOUGLAS. Oh, this is all altruism, I see.

Mr. MACK. Our position is this, Senator: We are ever mindful of the problem of the mining industry, and we have tried to point out that since our product is made 100 percent from the base metal, that if you do increase the duty on the base metal, we need a simultaneous increase.

Senator DOUGLAS. But they are not proposing to increase the duty on the base metal?

Mr. MACK. It has been proposed. It is before the White House for action, even though no action has been taken.

Senator DOUGLAS. But it has been postponed.

Mr. MACK. That is right.

Senator DOUGLAS. But in the meantime the Eisenhower-Seaton plan has been pushed to the fore?

Mr. MACK. We think it is an unsound approach, this subsidy program.

Senator DOUGLAS. You would prefer a tariff because that would protect you?

Mr. MACK. We feel the mining interests——

Senator DOUGLAS. Is that true?

Mr. MACK. Senator, we feel that if the mining industry is to receive additional tariff protection it should be obtained by means of tariff and that any upward adjustments which may be given to the mining industry should be occasioned by proportionate adjustments in tariff on rolled zinc products.

Senator DOUGLAS. Whereas now, they are going to get the subsidy and you are going to be out in the cold; is that right?

Mr. MACK. Although we have tariff problems of our own, we by the present lead-zinc escape clause action would not propose to gain anything, Senator. We just would not want to be put in a worse hole than we are in now.

Senator DOUGLAS. So you did not feel like postponing your testimony?

You wanted to come up here and propose it; is that right?

Mr. MACK. Yes, sir.

Senator LONG. I would like to ask a question now.

The CHAIRMAN. Have you concluded, Senator Douglas?

Senator DOUGLAS. I have not but I would be very glad to waive it.

Senator KERR. I ask for the regular order.

The CHAIRMAN. Senator Douglas will continue.

Senator DOUGLAS. What is the regular order?

Senator KERR. That the Senator be permitted to finish before he is interrupted.

Senator DOUGLAS. I will be glad to waive.

The CHAIRMAN. Why not go ahead, Senator Douglas?

Senator LONG. After you have finished I will go ahead.

Senator DOUGLAS. I know at the bottom of page 8 where you say you are opposed to subsidies because you do not think the taxpayers should pay for the costs protecting—pay the expense of protecting high costs industries and what you favor is a tariff.

Now, you want a higher price for zinc products?

Mr. MACK. We think there should be an economic price.

Senator DOUGLAS. A higher price than now exists?

Mr. MACK. We believe in protecting the standard of living we have in this country.

Senator DOUGLAS. I understand.

But you want a higher price for your products, isn't that true, than what you are getting?

Mr. MACK. I do not want to be evasive. We want an economic price.

Senator DOUGLAS. But you regard that as a higher price, isn't that true?

Mr. MACK. Well, it might in this instance.

Senator DOUGLAS. Don't you think it would be in this instance?

Mr. MACK. If you raised the tariff.

Senator DOUGLAS. Yes.

Mr. MACK. It would be a higher price.

Senator DOUGLAS. It would be a higher price.

Don't you want the tariff raised?

Mr. MACK. You might provide for certain suspension of tariffs.

Senator DOUGLAS. But the higher tariff, raise in tariff would be a higher price, the next question is don't you want a higher tariff?

Mr. MACK. Yes, sir.

Senator DOUGLAS. Then, since you want a higher tariff, and since a higher tariff means a higher price, you want a higher price.

Mr. MACK. We want to——

Senator DOUGLAS. The chain is complete.

Mr. MACK. We want to continue to be able to pay 52 percent of our earnings into the Treasury to make possible——

Senator DOUGLAS. I see. In other words, the joy of paying taxes is what you want.

You want a higher price in order that you may have the pleasure of paying taxes. You are an extremely unselfish man.

Mr. MACK. These various programs cost money, and——

Senator DOUGLAS. I see.

Mr. MACK (continuing). And when the product is made here in this country, 52 percent of the profits go into the Treasury.

Senator DOUGLAS. In other words, you want—you are not interested in the 48 percent that you will keep; you are merely interested in the 52——

Mr. MACK. Oh, yes; we are very much interested in our minority share, the 48 percent we keep.

Senator DOUGLAS. I see.

Now we are getting down to cases, and it is nothing against you either, I may say, but you do want a higher price.

Mr. MACK. We believe strongly in the profit motive.

Senator DOUGLAS. If you have a higher price, who is going to pay for it?

Mr. MACK. We feel that an industry——

Senator DOUGLAS. Just answer, please. If you get a higher price because of a higher tariff, who is going to pay the higher price?

Mr. MACK. Whoever buys the article.

Senator DOUGLAS. Exactly.

Mr. MACK. I would like to say——

Senator DOUGLAS. No; I want to finish that.

Mr. MACK. Any time you are interested only in the price, if you would reduce the price of any article, the person who buys it would get it cheaper.

Senator DOUGLAS. If you increase the price, then the consumer pays, the purchaser pays.

In other words, you think it is all right for the industry to be subsidized by the consumer, but not right for the industry to be subsidized by the taxpayer?

Mr. MACK. It would not be subsidized by the consumer because he would be paying only for the cost of production.

Senator DOUGLAS. Yes he would because of the higher price of the tariff.

Mr. MACK. But that reflects the cost of the production in the United States. That is, it would if the tariff were adequate.

Senator DOUGLAS. That is all, Mr. Chairman.

I want to thank my colleague, to say that he is always most courteous.

Senator LONG. Have you noticed in your experience under subsidy programs that it is always a very determined, very conscientious group of Senators and Congressmen who are ready at all times to oppose any appropriations to carry forward a subsidy program on an annual basis?

Mr. MACK. I think I understood your question.

You mean so far as appropriations——

Senator LONG. A subsidy requires an annual appropriation.

Mr. MACK. Yes.

Senator LONG. Have you ever noticed there is a unvarying number of Senators and Congressmen who oppose a subsidy appropriation when it is authorized?

Mr. MACK. Yes, sir.

Senator LONG. You realize then the industry can never be sure when it has a subsidy that the appropriation is going to make it good on an annual basis?

Mr. MACK. That is correct, sir.

Senator LONG. Each year you boys have a sword of Damocles hanging over your head. You don't know what will happen until Congress is going to act.

Senator KERR. You believe in the American system of free private enterprise?

Mr. MACK. Strongly, sir.

Senator KERR. Can it either operate or pay taxes without their making a profit?

Mr. MACK. No, sir.

Senator KERR. You don't know anybody trying to furnish the consumer with any product with their requirements on the basis that would eliminate profit for the one who provides them, do you?

Mr. MACK. No, sir.

Senator KERR. You know——

Mr. MACK. That was the point I was trying to develop with Senator Douglas.

Senator KERR. I know a lot of men that talk about their devotion to the consumers and I recognize it as being valid, and it has often occurred to me to wonder why they did not provide the consumers some of their requirements on a more fortuitous or economic basis and get into the posture of trying to implement their objectives of anybody being able to acquire something on which no profit was made by their own efforts rather than by their seeking to persuade or compel others to do that.

Did that thought ever occur to you?

Mr. MACK. Yes, sir.

Senator KERR. Ponder over it a little and someday when you have a little more time you and I can talk about it.

Mr. MACK. Well, we are convinced that no industry or even the United States Government can, for that matter, succeed indefinitely on any basis that is not economically sound.

Although we have almost $300 billion of debt, we do have good resources, however, when we get into this situation that other countries have been in that have tried these various socialistic governments there is not going to be anybody to bail us out.

Senator KERR. You mean if we weaken ourselves enough in our effort to bail others out we will be like the sympathetic fellow was about the drunk who said "If I can't get you out of the gutter I will get in it with you." [Laughter.]

The CHAIRMAN. Are there any further questions?

Senator MARTIN. Mr. Chairman.

The CHAIRMAN. Senator Martin.

Senator MARTIN. You are an expert on the tariff because you represent a very important industry and you are coming here desiring aid of the tariff.

At the turn of the century our country was pretty largely governed by a combination of individuals and corporations getting tariff advantage.

That is correct, is it not?

Mr. MACK. Yes, sir.

Senator MARTIN. From what you said I fel you are now afraid that we will come to a place where there will be a combination of those individuals and corporations and so forth that get subsidies from government, there will be a combination of those people and that will control our country.

Mr. MACK. Well, that is one of our very important concerns.

Another one is, we have not felt that there has been an impartial administration of the trade agreements program.

We felt that there has been a one-sided administration of it, and that if there had been an objective administration of the program this bill would have gone through without any throuble, because everyone is in favor of trade.

The nations that you trade with, you don't fight with.

Senator MARTIN. The ideal situation would be if we did not have any tariffs or subsidies of any kind, and then an industry that could not rest on its own feet would go out of business; that would really be the ideal thing so far as the consumer is concerned.

Mr. MACK. Well, if the consumer wanted a job I do not know whether it would be ideal.

Senator KERR. Don't you think that the consumers could find somebody here to hire them and then give them the opportunity to buy their production from other countries where labor is one-tenth of what they get, you don't think they would have any trouble finding anybody here to keep on hiring them?

Mr. MACK. You are getting into a rather involved situation, Senator. I would rather you answered that question. [Laughter.]

Senator MARTIN. After you had made the statement of the greatness of our country and then you admit that we are $300 billion in debt——

Mr. MACK. I do not know the exact figure.

Senator Byrd, I am sure, can give it to you.

Senator MARTIN. If we took what Uncle Sam has bailed, as we call it, out in the country, it would be probably a way over because how many of these things he has guaranteed he is going to pay one of these days we cannot answer.

These things are all speculative.

Mr. MACK. There are so many interesting things about this that I think are not brought to light.

For instance in discussions of the balance of trade when it is stated that we export more than we import, you do not ever see tourist dollars in there.

American tourist dollars represent a tremendous amount of money. A lot of Americans go to Europe, even Japan, but there are not very many Japanese tourists over here and that has a great deal of effect, in my opinion, or should have on the balance of trade. Now back to the administration of the escape clause, and the program generally, we feel if there had been an objective administration there would not be need to ask Congress for the right to affirm a Tariff Commission recommendation over the objection of the President.

It would not be necessary, but unfortunately we think it is necessary.

The CHAIRMAN. Thank you, Mr. Mack.

Senator CARLSON. Right on that point, is it not a face that the Tariff Commission divided three and three on their recommendations to the President and therefore he suspended any action on it?

Mr. MACK. All six commissioners, Senator, recommended an increase in the import duty on both lead and zinc.

Three commissioners recommended a higher duty than the other three, and three commissioners recommended the imposition of quotas.

So there was a unanimous finding of injury by all six members of the Commission. The only disagreement was the amount.

Now, of course, the President could have resolved that and that would seem to be his function.

But to date the Administration, in lieu of taking action on that, has proposed a subsidy program.

Senator CARLSON. I just happen to have the hearings and Senator Anderson went into this very thoroughly with Secretary Dulles and I just happen to have it here.

You stated it correctly, the Commissioners all agreed there was injury in the industry but they did not agree as to how it should be corrected.

They divided three and three and I have a copy of the letter here that the President sent, and he said:

> I am suspending my consideration of these recommendations at this time.

That is the concluding sentence in the President's statement here and of course Senator Anderson stated that is quite often the situation, they divide three and three, which is a very frequent situation.

Mr. MACK. They all recommended an increase in import duty.

Senator CARLSON. That is correct. There was a question as to how it should be divided.

Senator KERR. He said there was a recommendation for an increase in the import duty unanimously.

The CHAIRMAN. The division came on the question of the amount.

Senator KERR. The division was on how much it should be raised.

Mr. MACK. And there was the question also on quotas but they all agreed that there should be some increase in the import duty.

Senator CARLSON. But they did not agree on amounts.

The CHAIRMAN. And the President has the authority to decide how much the increase should be.

Senator KERR. But he did not raise it any.

The CHAIRMAN. I understand that.

Mr. MACK. Mr. Chairman, although I am happy to discuss this subject, I came in here primarily to talk about rolled zinc which are the products manufactured from the base metal, and our interest is that if the duties are raised on the base metal that ours be raised correspondingly.

The CHAIRMAN. Thank you, Mr. Mack.

The next witness is Mr. Gordon R. Connor.

I want to say, sir, you have made a clear and able statement.

Mr. MACK. Thank you, sir.

The CHAIRMAN. Mr. Gordon R. Connor is the next witness.

STATEMENT OF GORDON R. CONNOR, REPRESENTING AMERICAN HARDWOOD PLYWOOD MANUFACTURERS

The CHAIRMAN. The Chair has an extremely important engagement and has to leave and Senator Kerr will preside during my absence.

I will read your statement carefully, but it is imperative that I keep this appointment.

Mr. CONNOR. Mr. Chairman and members of the committee, my name is Gordon R. Connor. I am vice president of the Connor Lumber and Land Co. of Wausau, Wis., and president of the Northern Hemlock and Hardwood Association.

I am a former president of the Timber Producers Association of Wisconsin and upper Michigan. I am appearing on behalf of myself and the Hardwood Plywood Manufacturers Committee, which represents the American hardwood plywood and veneer producers and their suppliers.

In the June 23, 1958, issue of Time magazine, there is an article praising the House of Representatives for its passage of H. R. 12591. In the business section of the same issue (p. 83) there is a paragraph entitled "Successful Invasion" which reports that in April foreign automobiles took a record 7 percent of the United States market.

West Germany's Volkswagens alone outsold Chrysler and Desoto and were more than double the sales of Edsel, Lincoln, and Studebaker.

Time's praise for the successful invasion of American markets made no mention of the unemployed in the Chrysler, Ford, and Studebaker plants throughout the United States.

The American hardwood-plywood industry is also the victim of what Time terms a successful invasion.

In 1951, at the request of Canada and the Benelux countries, the duty on plywood was reduced under GATT the maximum permitted by law. Under the most favored nations clause Japan was the principal beneficiary of the duty reduction.

Imports of hardwood plywood have increased 1,200 percent since 1951. The share of the American market supplied by American producers has dropped from 93 percent to 48 percent.

Imports now control the American hardwood-plywood market. Shipments of American producers declined 16 percent between 1955 and 1957 and the Department of Commerce reports that the first quarter of 1958 shows a decline over 1957 of another 16 percent, and I would just like to add that during this period of 1951–57 when the domestic production was decreasing, the consumption in the United States of hardwood plywood increased 700 million square feet or 89 percent.

The Bureau of Labor Statistics Hardwood Plywood Price Index shows a decline from 110.8 in 1951 to 103.7 in 1957, in spite of increased costs of the industry.

A survey of representative plants in the industry shows that profits on sales were approximately 1 percent in 1957, a drop of 11 percentage points since 1951.

My company is one of the victims of this successful invasion. We had long been a supplier of plywood for the luggage industry. This business was lost to Japanese plywood delivered to the luggage plants at 7 cents a square foot when our price was 17½ cents a square foot f. o. b. our mill. Our costs are considerably more than 7 cents a square foot and over 30 percent of our cost is wages paid on the American, not the Japanese scale.

In the fiscal year 1954–55 our monthly sales were $211,000 and our monthly profits $5,700. In the present fiscal period, our monthly sales are $132,000 and our monthly loss considerably more than our previous monthly profit. We have reduced our work force from 230 to 132 men and our payroll from $63,000 to $43,000 a month. Our company just cannot compete with the Japanese labor cost.

Our plant is not the exception. A South Carolina producer reports that in his fiscal year 1953–54 he had a 10-percent profit on sales, whereas in his fiscal year 1956–57 he had a loss of $175,000 and on the basis of 8 months operation, his loss for this fiscal year will not be less.

I would like to add here that one of the largest manufacturers of hardwood plywood in the world, a Wisconsin concern, shows for the 6 months' period to April 30 of this year, a net operating loss of over $205,728 compared with the profit of $325,251 for the corresponding period of 1957.

Plywood imports from Japan are the primary cause of our industry's condition. Hardwood-ploywood imports from Japan have increased 6,800 percent since 1951. Japan's share of the American hardwood-plywood market has risen from 1 percent in 1951 to 42 percent today and its share of the total plywood imports from 7 percent to 82 percent.

In quantity, Japan has increased its plywood exports to the United States from 10 million square feet in 1951 to 670 million square feet in 1957.

The Japanese plywood industry is not a cottage industry as some free traders would lead you to believe. Since the war, the Japanese plywood production capacity has increased 400 percent.

Today, Japan can produce 3.6 billion square feet of hardwood plywood a year, over 4 times the shipments of the American industry in 1957.

The Japanese can sell no more than 1.4 billion square feet in their home market and the balance, 2.2 billlion square feet can be produced for export.

Japan's plywood plants are the most modern in the world and their labor costs per 1,000 square feet are the lowest in the world. They are not more than one-ninth of our labor costs.

As a result of the extremely low costs, the Japanese duty paid hardwood plywood sales price to the United States is considerably less than the bare cost of our labor and materials of the American producer.

The Japanese plywood industry has operated at less than its full capacity for the past few years. World markets would not absorb the tremendous quantities the Japanese could produce for export. The passage of H. R. 12591 without amendment by the Senate would be an invitation to the Japanese to let loose a new and increased flood of exports to the United States. Many more plants in our industry would most certainly be forced to close down.

The hardwood plywood industry is made up of small business concerns. There are only four fairly large, publicly owned companies. The companies in our industry do not have large financial resources and their ability to survive the successful invasion has been seriously weakened in the past 3 years.

My family has been in the logging and woodworking business since 1872. We have had our ups and downs in meeting domestic competition during the 86 years of our production.

However, we find it impossible to meet the present competition of foreign hardwood plywood especially from Japan and whose total labor rate does not amount to what we pay our men for holidays and vacations.

It is difficult to believe that now it is necessary for our industry to come here to Washington and beg not to be included in the category of the expendable.

It hardly seems American or in keeping with our free enterprise system of business.

American industry deserves the same thought and consideration that the State Department accords foreign countries and their industrialists. It is wishful thinking for us to hope that our industry and our workers could induce any consideration from the State Department when our interests conflict with the interests of foreign producers. Our only recourse is to ask that Congress intercede in our behalf and act as an unprejudiced umpire over escape-clause cases to assure a fair and equitable decision for injured American industry.

Our industry had an escape-clause hearing in 1955 and the Tariff Commission, after finding every factor of injury present, denied relief on the ground that the injury had not continued for a sufficient length of time.

The question has been asked: "Why our industry has not filed another escape clause complaint?

There are a number of reasons. Under the present law, the odds against securing a favorable decision are overwhelmingly against American industry. In only 1 out of 9 complaints has the American industry prevailed.

Of 87 cases, the Tariff Commission has found injury to American industry in 30 cases. Of those, 20 have been rejected by the President. In only 10 cases has there been some relief granted. The odds against success under the present act are high, but that was not the sole reason our industry has not filed a new complaint.

A second reason is that the President, the State Department, and the Secretary of Commerce have repeatedly said that no quotas would be approved for industrial products in escape-clause cases. This policy creates a serious deterrent to an escape-clause complaint.

As the direct result of the most-favored-nation policy, which requires any reduction of duty accorded one country be extended to all,

quotas are the only remedy which would provide adequate relief for the American producers without closing our markets to all hardwood plywood producing countries except Japan.

This condition arises from the tremendous differential between the Japanese hardwood plywood prices and the prices of American and other producing countries. Hardwood plywood imports from Japan have increased over 6,800 percent since 1951.

Japan, due to its low prices, controlled 82 percent of all of the American hardwood plywood imports in 1957. During the 1951–57 period, the average export sales price of Japanese plywood to the United States was $63 per 1,000 square feet.

The average export sales price to the United States of hardwood plywood from other countries during the same period was $114. The average cost for American producers of hardwood plywood is in excess of $150 per 1,000 square feet.

The 100 percent price differential advantage over other plywood producing countries and the American producers will permit the Japanese to absorb an increase in duty and still undersell American producers.

A duty increase would widen the differential between the Japanese prices and the prices of other countries and narrow the differential between the prices of other countries and the American producers' prices.

The countries other than Japan would find it difficult and some, such as Canada, would find it impossible to compete in our markets. Therefore, an increase in duty alone will not remedy the injury to the American producers and could result in surrendering our entire market to the Japanese.

If our industry was successful in persuading the Tariff Commission to recommend a higher duty or a quota, the President would, unless he changed his announced policy, which is unlikely, reject other recommendations; the increase in duty because it would be unfair to countries such as Canada, and the quota because the State Department's policy dictates no quotas.

The present Trade Agreements Act provides no sure remedy for this injured industry. For this, and the above reasons, our industry was persuaded to await the decision of Congress on whether this condition was to continue. Our industry and other American industries will be destroyed unless Congress reasserts its authority over the escape clause to the extent of requiring that the President secure approval of Congress before rejecting or emasculating a Tariff Commission escape-clause recommendation.

The Congress in the escape-clause provision of the Trade Agreements Act, has delegated to the Tariff Commission the authority to determine whether an American industry is injured or threatened with injury from increased imports.

The present act provides no criteria to govern the President's determination to reject, modify, or suspend the Tariff Commission's recommendations, nor is the President required to factually explain or justify his refusal to accept the Tariff Commission's finding of injury and its recommendations.

The Tariff Commission decisions, made as a factfinding agency of Congress, should not be discarded by the President without congressional leave or approval.

The constitutional authority on tariffs and foreign trade lies in Congress and not in the Executive. The President's rights result solely from the delegation of Congress and Congress should dictate the terms.

Our industry has never opposed an extension of the Trade Agreements Act. We have not advocated the exclusion from our markets of plywood imports, but we have contended that imports of plywood should be permitted in an amount which did not cause serious injury to the American industry.

Our industry has two serious objections to H. R. 12591. The first is the period of the extension. We believe that a 5-year period is too long. The administration has not demonstrated a need for a 5-year period.

The testimony shows that authority to adjust duties in relation to European Common Market and Customs Union will not be needed until 1963. Congress should be in a position to review the act at an earlier date in the light of the rapidly changing world conditions.

We believe that the best interests of the United States would be served by a 2-year extension.

The other provision of H. R. 12591 with which we disagree is section 6. This requires that an American industry obtain the favorable vote of two-third's of both Houses of Congress to overrule the President's rejection or modification of the Tariff Commission's recommendations.

The House provision does recognize that Congress does have and should assert some control over escape-clause recommendations. We commend the House for recognizing this principle, but disagree with the means provided for Congress to review Presidential rejections of the Tariff Commission recommendations.

The requirement that an American industry, whose injury has been established, must secure a favorable vote of two-thirds of both Houses negates the principle which the House has acknowledged in this section.

It would be impossible for a small American industry, such as ours, to develop the interest and support of two-thirds of the Members of both Houses. This requirement effectively destroys the opportunity for an American industry to secure a hearing before Congress.

In escape-clause proceedings, the Tariff Commission is the agent of Congress. Its duty is to investigate and determine, on a factual basis, whether imports are causing injury to an American industry. A finding of injury and a recommendation by the Tariff Commission is in substance a recommendation of the Congress.

Thus, a finding of an agent of the Congress should not be subject to rejection by the President except where Congress approves such action. The provisions of section 6 of H. R. 12591 do not require that the President justify his rejection of the findings of the Tariff Commission.

The burden of proving the President in error is required of the injured American industry. This burden is unfair and inequitable.

If the President deems it necessary or advisable to overrule the findings of the Tariff Commission, then the President should be prepared to seek the approval of Congress for his action in overruling this agent of Congress.

We believe that the Tariff Commission's determination on injury, having been made on the facts under criteria established by Congress, should be final unless the President can persuade Congress to overrule the Commission. We, therefore, ask that your committee consider a provision amending section 6 to provide that the Tariff Commission's recommendations be final unless the President's modification or rejection of the escape-clause recommendation is approved by a majority vote of both Houses of Congress.

The President has access to the tremendous resources of all the executive branches for development of facts and figures to support any position which he wishes to take with reference to the Tariff Commission's recommendations.

When the President has vital and compelling reasons for modifying or rejecting the Tariff Commission's recommendations, these resources can be called into play; and, with no difficulty at all, he will be able to secure the approval of Congress for his decision.

Senators Thurmond and Payne have introduced amendments to H. R. 12591 which provide for an extension of the Trade Agreements Act for a period of 2 years and also provide that the Tariff Commission's decision in escape-clause cases shall be final unless the President's modification or rejection is approved by both Houses. We ask that your committee give consideration to the Thurmond Payne amendments.

I would like to express the appreciation of the American hardwood plywood manufacturers and their suppliers for the consideration your committee has accorded me.

Thank you.

Senator KERR. Thank you, Mr. Connor.

Has there been a reduction in the employees of the American hardwood plywood industry?

Mr. CONNOR. Senator, there has been a very considerable reduction in the number of employees, and also the number, total number, of plants that are still operating.

Senator KERR. Can you give us the details of both?

Mr. CONNOR. Well, I am more familiar with the situation in the Lake States, especially Wisconsin, and there have been 5 plywood plants closed there in the last 4 years, I would say, and I understand that for the rest of the association there have been 16 other plants in hardwood plywood plants in the United States closed.

Senator MARTIN. Excuse me, that is in addition to the four?

Mr. CONNOR. That is in addition to the ones in Wisconsin, yes, sir.

Senator KERR. Do you know the number of employees that were thus thrown out of work?

Mr. CONNOR. I don't have that figure, but the ordinary plant would employ about the same number that we did employ, which was around 230 and we are now down to 125.

Another thing that has taken place, too, and which is just as effective, has been the reduction in hours of these plants.

Senator KERR. We will get to that in a minute. I am first trying to get the number of employees that have been put out of jobs.

Mr. CONNOR. Yes, sir.

Senator KERR. Apparently there have been about 20 plants employing approximately 230 each?

Mr. CONNOR. That is right.

Senator KERR. That would be 4,600 or upward of 5,000 employees?

Mr. CONNOR. That is right.

Senator KERR. Now of those in operation, do you think that the reduction of employment in your plant is an example of the industry?

Mr. CONNOR. I think it is.

Senator KERR. In other words, you have laid off something over half of your employees?

Mr. CONNOR. That is right, sir.

Senator KERR. How many plants would you say there are in the country that you would estimate have had a similar experience?

Mr. CONNOR. I would say in the neighborhood of 55—54 or 55.

Senator KERR. Then, if they have laid off an average of 125, there would be another——

Senator MARTIN. Pretty near 7,000.

Senator KERR. Approximately 7,000 employees?

Mr. CONNOR. That is approximately right.

Senator KERR. And add that to the other 4,600 makes 11,500, we will say.

Now, of the remaining employees, what has been the average reduction in the time employed? Number of hours?

Mr. CONNOR. On a percentage basis?

Senator KERR. Yes.

Mr. CONNOR. I would estimate that they are running on an average of 20 percent less in hours.

Senator KERR. In other words, running at about 80 percent of hours that they would be working otherwise, or had been working?

Mr. CONNOR. That is correct, sir. The remaining employees in these plants are working on a reduced hourly basis.

Senator KERR. Now are these remaining 6,000 employees and the 11,000 that have been laid off, are they consumers?

Mr. CONNOR. Consumers?

Senator KERR. Yes.

Mr. CONNOR. Of hardwood plywood?

Senator KERR. No, no.

Mr. CONNOR. Yes, sir; they are.

Senator KERR. They are consumers?

Mr. CONNOR. That is very true.

Senator KERR. Their ability to provide the necessities or the things they want to consume has been somewhat curtailed?

Mr. CONNOR. Very much so, sir.

Senator KERR. Now, then, you referred here to the fact that after a hearing before the Tariff Commission and a finding by the Commission, the President could either ignore it or reject it arbitrarily.

Mr. CONNOR. Yes, sir.

Senator KERR. Who has the burden before the Tariff Commisison of establishing facts which show injury before the Tariff Commission is authorized to make a recommendation for relief?

Mr. CONNOR. The injured industry.

Senator KERR. The injured industry?

Mr. CONNOR. Yes, sir.

Senator KERR. In other words, the injured industry under the law must assume the burden of proving injury before the Tariff Commis-

sion, before the Tariff Commission is authorized to make a recommendation for relief?

Mr. CONNOR. That is right.

Senator KERR. Now, does the President have any burden of showing that the Commission was wrong in finding injury before he is permitted under the law to reject or ignore that recommendation?

Mr. CONNOR. None that I know of, sir.

Senator KERR. Is the industry even permitted to appear before the President to sustain the findings of the Tariff Commission?

Mr. CONNOR. I don't believe that they are, sir.

Senator KERR. In other words, under the procedures set up an industry has to assume the burden of establishing the injury before it can get a recommendation out of the Tariff Commission?

Mr. CONNOR. That is correct, sir.

Senator KERR. But then under the law and the practice, the President can disregard or reject that, without any finding of fact or basis insofar as his explanation is concerned?

Mr. CONNOR. That is correct.

Senator KERR. Now, in his findings or in the investigations before the Commission, the industry claiming injury seeks to validate that claim by showing of economic injury?

Mr. CONNOR. That is right.

Senator KERR. And regardless of the degree to which they succeed in showing economic injury, the recommendation of the Tariff Commission to relieve that injury can be rejected by considerations other than economic?

Mr. CONNOR. That is possible, sir.

Senator KERR. So far as that is concerned, without any reason at all?

Mr. CONNOR. That is correct, sir.

Senator KERR. But I recognize that at times the Executive ignores a recommendation which was founded upon the establishment of economic injury on the ground that political consideration or elements of foreign policy are more compelling than considerations of the economic welfare of an industry might be.

Mr. CONNOR. That has been our feeling as to the results of the case that we had before the Commissioner, sir.

Senator KERR. Isn't that the most—that is the most charitable explanation that could be made for the action of the Executive; isn't it?

Mr. CONNOR. That is certainly one of them, sir.

Senator KERR. Do you know of any others except just arbitrary action?

Mr. CONNOR. Well, I think that no doubt that has more influence on his action than any other.

Senator KERR. I asume that is the basis of his rejection or ignoring of the recommendation, that he feels that there are considerations in the field of foreign policy more compelling than the considerations in the economic field of an injured industry.

Mr. CONNOR. I think that is correct. That is why I mentioned in my offhand remark here the fact that it is a little difficult for a small industry like ours to understand how we can be worked into the position of being considered expendable.

Senator KERR. In other words, it leaves the affected industry, which is definitely injured, and whose plight is not corrected, with the

conviction that they have been sacrificed on the altar of somebody's concept of what a foreign policy ought to be?

Mr. CONNOR. That is the feeling in our industry at the present time, sir.

Senator KERR. Let's go back to the fact that the employees you did have and the employees you now have, operating at less than a hundred percent time factor, being consumers, there is a way that you can meet foregin competition isn't there?

Mr. CONNOR. Not at our present labor rates.

Senator KERR. I understand.

If you could pay labor the same as it is paid in Japan than you could meet their competition; couldn't you?

Mr. CONNOR. I have said that I am in favor of free trade with any nations that has the same minimum wage laws that we have in the United States.

Senator KERR. Well, I will say to you that you are more liberal in your viewpoint there than I am.

I don't even go that far. But let's hold ourselves now to the question at hand.

If you could employ laborers at the same rate per hour as they worked in the factories that constitute your chief competition, you could either compete with them or be in a lot better position to compete with them; couldn't you?

Mr. CONNOR. We certainly could. There is no doubt about that.

Senator KERR. Do you know what the Japanese laborer gets?

Mr. CONNOR. In the plywood industry he gets about 11 cents an hour.

Senator KERR. He gets that in Japan; desn't he?

Mr. CONNOR. Yes, sir.

Senator KERR. He sure isn't an American consumer; is he?

Mr. CONNOR. Well, I wouldn't say that——

Senator KERR. He is not he in America, in the posture of a consumer?

Mr. CONNOR. No.

Senator KERR. If your employees had to work for 11 cents an hour, they would not be much of a consumer, would they?

Mr. CONNOR. Practically none, sir.

Senator KERR. Practically none.

Mr. CONNOR. No.

Senator KERR. Consumers then are just people, employees, or professional people or people in some posture in our economy who have incomes which enable them to buy their requirements in the things that they desire.

Mr. CONNOR. That is right.

Senator KERR. And their position as a consumer or the degree to which they are a consumer depends first upon their income and second upon their desire to spend their income.

Mr. CONNOR. That is right.

Senator KERR. So if we have a program here which first brings about unemployment of people and, secondly, reduces the income of those who are employed, we are in the process of eliminating consumers; aren't we?

Mr. CONNOR. We very definitely are in the plywood industry.

I have already stated the number of plants that have gone out of business.

Senator KERR. Or any industry similarly situated?

Mr. CONNOR. That is correct, sir.

Senator KERR. You don't take the position that the plywood industry is the only one?

Mr. CONNOR. No; I think there are 65 others, other industries that have been very seriously affected.

Senator KERR. And isn't it a fact not only that the injury to the affected industries is increasing but also that the industries are increasing in numbers who are adversely affected?

Mr. CONNOR. It is correct, sir.

It is growing very rapidly, especially the last 8 years, I would say, the last 5 years.

Senator KERR. So that a continuation and broadening of this program from the standpoint of bringing about a more favorable environment to the encouragement of imports is a program actually to make disappearing industries out of many American industries?

Mr. CONNOR. That is very true. I agree wholeheartedly with that statement.

Senator KERR. And the position you take is, not of opposition to the program——

Mr. CONNOR. No, sir.

Senator KERR. But of sponsoring remedial legislation that will not only encourage but compel the administration of it on a basis that will leave the benefits to our country, at least equal to the cost to our country?

Mr. CONNOR. That is correct, sir, and I think that some regulation as to the amount of hardwood plywood, for instance, in our particular case that could be brought into this country.

Senator KERR. In other words, on the picture before you there is but one remedy and that is the imposition of quotas?

Mr. CONNOR. That is right, sir.

Our industry does not take the point of view that they want a high tariff or that they want to cut out all imports. They feel that—but they do feel that when 52 percent of their total home hardwood plywood market has been absorbed by imports that they have gone——

Senator KERR. Would you say absorbed or usurped?

Mr. CONNOR. Usurped is probably better.

Senator KERR. Captured?

Mr. CONNOR. That is probably better. They think it has been carried a little too far, and that they have suggested going along on the basis of 15 or 20 percent and sacrificing that part of their home markets in order to help the foreign countries on their production.

Senator KERR. And to help the foreign trade program or the foreign policy of our Government?

Mr. CONNOR. That is right.

Senator KERR. You feel that you would be willing to operate under and in a situation where a part of the domestic market was just assigned to foreign nations that come seeking it?

Mr. CONNOR. That is right. A certain percentage of the previous year's sales or something of that sort.

Senator KERR. Well, strange as it may seem, as I analyse your position it adds up to this, that you also favor a situation in which the American producer can have a child's part of the market.

Mr. CONNOR. We would like to get part of it back.

Senator KERR. Fine. That is all right.

Any other questions?

Senator FLANDERS. Mr. Connor, I would like to ask 1 or 2 questions.

You spoke of the decrease in the number of plywood plants and the decrease of employees, you used the phrase "over the last 4 or 5 years."

I would like to be able in some way to segregate the results of our recession and the results of foreign trade.

Was there a decrease in plywood firms and employees, say, up to 1957 or can the assertion be made that this industry is suffering from a recession and not from competition?

Mr. CONNOR. I think I stated that during the period of 1951–57 that the consumption of hardwood plywood in the United States increased 89 percent.

Now if the American industry had gotten their fair share of the new developments many of which they brought about themselves through their promotion programs, research, and new product developments, if they had gotten their fair share of the increase in the consumption of hardwood plywood we would not have any problems.

Senator FLANDERS. Well, was the Japanese competition serious in those years 1951 to 1957?

Did it show results, did it result in damage to the industry?

Mr. CONNOR. Oh, it certainly did, sir. The percentage of imports increased 6,800 percent.

Senator FLANDERS. The question is when did these plants close?

Were they closing in 1957?

Mr. CONNOR. They were closing during—I think most of the plants that I know of and am familiar with, closed from the period of 1954–57, the majority of them, and there has been a larger number of them outside of our own area that have closed in 1955, 1956, and 1957.

Senator FLANDERS. Yes.

Then, definitely they closed during a period of general high production and general high employment?

Mr. CONNOR. Some of them did, yes.

Senator FLANDERS. Well, that period was one of that type?

Mr. CONNOR. That is right.

Senator FLANDERS. I just wanted to make sure that you were not suffering from recession and that we could be sure that the difficulty was largely that of foreign competition.

Now, are there any plywood exports from here to Japan?

Mr. CONNOR. None that I know of, sir.

Senator FLANDERS. I have been told that there was a considerable export of softwood plywood from the Pacific coast to Japan, used, I suppose, as cores for the hardwood surfacing.

Do you know anything about that?

Mr. CONNOR. I don't know that there is any plywood such as you are referring to shipped to Japan to be used for manufacturing there.

Senator FLANDERS. You don't know about that?

Mr. CONNOR. No, sir; I do not.

Senator FLANDERS. I have had it intimated that there was a little difference of point of view between the hardwood plywood people and the softwood plywood people from that standpoint.

But you don't know about that?

Mr. CONNOR. The only thing I do know about that angle of it is that the softwood plywood is used largely for other purposes than our hardwood plywood.

Senator FLANDERS. Do you use softwood core?

Mr. CONNOR. No. We use hardwood core.

Senator FLANDERS. You use hardwood throughout?

Mr. CONNOR. Hardwood throughout, yes, sir.

Senator FLANDERS. I was interested in your reasons for not applying again. One which seems to me to be a reasonable reason is that you don't want to apply to the Tariff Commission again until you know what the law is, that seems a reasonable reason.

Mr. CONNOR. Yes, sir.

Senator FLANDERS. It seems to me, if you will permit my saying so, to be an unreasonable reason that you should not apply again where damage is more clearly shown, that you should hesitate to apply because you have been unsuccessful before.

It would be my advice that you try again and try again and try again, and I think you will have congressional support for doing it.

Mr. CONNOR. Well——

Senator KERR. If he is still alive.

Mr. CONNOR. If we can live through it.

But actually reviewing the results of the cases that have come up, the odds against getting any relief are so great and I believe also that you will find just in the case that was brought out here this morning of the clothespin situation, they went through the mill, they won their case, and then instead of getting a quota they finally ended up with a tariff which has not done any good for them at all.

Senator FLANDERS. I am quite familiar with the clothespin situation. I have appear before the Tariff Commission on behalf of clothespin manufacturers and my advice to you is that you continue to present your case wherever there is additional information that you can bring to it.

In fact, I am a little bit disappointed in you——

Mr. CONNOR. I am sorry to hear that.

Senator FLANDERS. To tell you the truth. You can get more support if you keep on fighting than if you throw up your hands and say "It is no use."

Mr. CHAIRMAN. I am greatly concerned about the notion that the prosperity and success of the world depends, of necessity, on handicapping American industry. That is what it seems to me, at times, that the point of view of the State Department figures down to.

I would like to find us some line of development of international policy in which the whole world moved up together instead of making it necessary for us to move down in order for the rest of the world to move up.

I am quite sure we can find means of moving up together. And then there is the added case in which both the clothespin industry and the plywood industry resemble each other in that they are both small industries, and they are unadaptable industries.

The machinery that the plywood manufacturer uses cannot be used for anything else.

Mr. CONNOR. That is correct, sir.

Senator FLANDERS. The machinery that the clothespin manufacturer uses cannot be used for anything else, and when the airy observation is made that manufacturers injured should shift to other production, they have to go out of business first.

Mr. CONNOR. That is right.

Senator FLANDERS. Excuse me, Mr. Chairman, I am making a speech.

Senator KERR. And a good one.

Senator FLANDERS. But the fact that they are small industries seems to me has some bearing, because we want to talk out of both sides of our mouth about small industries, we talked out of one side of it yesterday, in our vote yesterday, and we want to be able to talk out of the other side, I think, as well when it comes to both plywood and clothespins.

Mr. CONNOR. I certainly agree with that.

I think another interesting observation is that with the woodworking industries that very often, in fact, in most cases they are located in small communities——

Senator FLANDERS. That is right.

Mr. CONNOR. And for anyone to say that, as you have pointed out the plywood plant is closed and they are going to go to work elsewhere, it does not work out so well in the case of the woodworking plants.

Senator FLANDERS. I may say that one clothespin manufacturer in my home State has hedged on the perils of his industry by canning corn in summer, but he can't use his clothespin machinery.

Mr. CONNOR. No, that is for sure.

Senator FLANDERS. That is all, Mr. Chairman.

Thank you.

Senator KERR. Senator Douglas?

Senator DOUGLAS. Mr. Connor, I think you made a very good statement. There is just one question that I should like to ask and directed to the general points you touch on at the bottom of page 5.

This is the last paragraph where you state:

"The Administration has not demonstrated the need for a five-year period. Testimony shows that the authority to adjust duties in relation to European Common Market and Customs Union will not be needed until 1963."

I wondered what the line of reasoning was which led you to say that?

Mr. CONNOR. Well, only that it was our understanding that the European Common Market, so called, would not be in full operation until 1963.

Senator DOUGLAS. Well, it is in operation now.

Mr. CONNOR. Not, as I understand it, now I am not an authority on that particular angle of it but it was my understanding that it would not be in full operation until 1963.

Senator DOUGLAS. Well, the common market is in full operation now with six countries, member countries.

The aim is over a 12 to 15-year period to abolish all duties between these countries. This is divided into 3 periods of 4 to 5 years each, and the first of these periods, during the first of these periods the tariffs are to be reduced by 30 percent.

But this is not necessarily postponed until the end of the 5-year period.

This can be at the rate of 5 or 6 percent each year. In fact, as I understand it that is when I visited there, and therefore, according to my understanding it is that the reductions in Europe may begin next year, and as they, as the tariffs, between the six nations in Europe are reduced even though tariffs against the outside world including ourselves, are not increased, that puts the American exporter at a differential advantage because his tariff is staying up while the other tariffs are going down.

Therefore countries such as Germany will be getting a greater share of the European market as compared to our people.

Is there any representative of the State Department here?

May I ask if my understanding is correct?

Would you identify yourself for the record?

Mr. LEVIN. Herbert Levin, Office of International Trade.

Senator DOUGLAS. Do I understand therefore that the decreases in tariffs of the common market are not to be postponed until the end of the 5-year period but they can be continuous during that 5-year period, am I right on that?

Mr. LEVIN. With certain limitations that is correct.

Senator DOUGLAS. Thank you, sir.

Well, that was the point I wanted to bring out, Mr. Connor, because I have recognized that others have made this statement before you and I was not here and for one reason did not cross-examine them when they spoke up and I wanted to have the record clear on that point.

It is a very able statement that you made.

Senator KERR. Is the witness back there named Levin?

Mr. LEVIN. Yes, sir.

Senator KERR. How many tariffs in the—what do you call it—the European economic community, have been determined?

Mr. LEVIN. I would not be prepared to answer that at the moment, sir.

Senator KERR. Are you prepared to tell us that a single one has?

Mr. LEVIN. I would not be prepared to say either way, sir, without checking.

Senator KERR. If you are not prepared to say either way, then you are not prepared to say that there has been a single one of them agreed on.

Mr. LEVIN. I said that what the Senator had stated as a principle was correct as a principle with certain exceptions.

I am not prepared to testify, sir, about the rates and what is actually going to occur.

Senator KERR. Well, you did testify. Did you do it without knowledge?

Mr. LEVIN. Within the limit of the Senator's question to me, I stated it was my belief that that was correct.

Your question goes a bit further, Senator, and I would not want to misinform you on it.

Senator KERR. I do not want you to misinform me—if you don't know of any I want you to tell me.

Mr. LEVIN. I don't know of any specific rates; that is correct.

Senator KERR. You don't know of a single specific rate that has been agreed on to be effective in the European economic community?

Mr. LEVIN. That is correct.

Senator KERR. Senator Williams?

Senator DOUGLAS. Have you finished, Senator?

Senator KERR. Yes.

Senator DOUGLAS. May I make a statement?

The so-called common market was only formally organized as I remember it on the first of January.

It has therefore had only 6 months to get under way, and I do not think it would normally be expected that you would get decreases in the first 6 months.

All I was attempting to do was to point out that the 30-percent reduction in tariffs which is directed to occur during the first 5 years need not be concentrated at the end of the period and indeed it is not contemplated that it should be concentrated at the end of the period but that it should be a gradual reduction of approximately 5 percent per year, and it is for this reason I think the administration asked for a 5-year program and could reduce our programs at the rate of 5 percent per year reciprocally.

I simply mention that in order to clarify the position. I think Mr. Levin's statement as I understand them are correct and made in good temper.

Senator KERR. I want to say that my information is that there have not only been no tariffs agreed on in the European economic market but there is grave doubt as to whether or not their program will be implemented within the 5 years, and certainly it seems to me like permitting a speculative tail to wag a dog of reality to talk about our needing to extend this program 5 years to negotiate tariffs with an identity which is neither in official existence nor with reference to which is there any firm basis of believing that it will be in firm existence, with a tariff structure applicable with reference to which negotiations could be had.

Senator DOUGLAS. May I say, if it is appropriate to reply to this, that if the European countries do not go into this agreement then we will not need to make the same concessions we otherwise would.

So that could be handled administratively.

So far as the actual existence of the Common Market, it is there administratively, it is built on a model of the Coal and Steel Community which has had its headquarters at Luxembourg at which I visited in December and saw its physical form.

The structure is fundamentally the same for the Coal and Steel Community, for the Common Market and for Euratom, namely, an administrative council with 1 member from each of the 6 nations, a legislative body drawn from the parliaments, a supreme court which is common for all of the agencies, and advisory committees of industry and labor.

The Coal and Steel Community has finished its work and under it all tariffs have been abolished in coal and steel so that there are no tariffs on these goods which flow across national lines. That is an achievement which has already been attained.

It is true that the recent change of government in France has introduced some notes of uncertainty as to what the future policy of that country is going to be, but it has been an affirmation from General De Gaulle and his Prime Minister that they intend to go through with it.

So that it would seem to me that the existence of the Common Market cannot be brushed aside as summarily as some have done and it is a factor we need to take into consideration not merely 5 years from now but continuously from now on.

Senator KERR. It is not an identity that can be brushed aside because it is not an identity.

It does not even exist. It has a legislative body and has no power to legislate and it has not legislated, so what would a court adjudicate with reference to laws that a legislative body that does not exist has not even considered, let alone legislated?

Senator DOUGLAS. Senator, I suggest we both take an excursion at our own expense abroad and visit the headquarters of the Common Market and of the Coal and Steel Community, and, even though the doubting Thomases may question its existence, you can put your finger on the body and find that the body has substance, and possibly you may find a nail wound or two to complete the analogy.

Senator KERR. I would be just as disinterested in taking the trip for myself as I would be in prescribing whether or not the Senator took it.

Senator DOUGLAS. I cannot think of a more charming companion than the Senator from Oklahoma when he is in his lighter moods and I would be very glad to travel with him provided it is understood that we only discuss the tariffs 20 minutes a day.

Senator KERR. That part of it would be bearable but taking it at our own expense—I want to tell you that would be a matter that would require the gravest consideration. [Laughter.]

Senator DOUGLAS. It would require grave consideration on my part, although I do not think it would be as heavy a relative burden on the Senator from Oklahoma.

But the pleasure of the company of the Senator from Oklahoma would be so great that I would be willing to incur even that burden.

Senator KERR. You are not offering to assist the Senator in taking that trip?

Senator DOUGLAS. I am not going to assist you. [Laughter.]

Senator KERR. I know you would not do that.

Senator DOUGLAS. I am not going to rob Paul in order to pay Peter.

Senator KERR. I believe you stated there would be a limit to what a Senator should do for another or do for himself, and the contemplated trip would not come within that limit.

Senator DOUGLAS. I merely want to say if the Senator wants to go abroad at his own expense——

Senator WILLIAMS. While you two are traveling, could I ask a couple of questions of the witness? [Laughter.]

Senator KERR. Senator, I had thought that the Senator from Oklahoma had tried to put himself in the posture of not traveling.

Senator WILLIAMS. I see.

I just wanted to know for the record how many plants did you say, private plants, had been closed since 1951?

Mr. CONNOR. Sixteen outside of our own district and five within our district.

Senator WILLIAMS. That is 21 total?

Mr. CONNOR. Yes, sir.

Senator WILLIAMS. What is the average investment, would you say, in each of those plants, that is including the plant and the machinery represented?

Mr. CONNOR. Plant and machinery? It is pretty hard to average something of that kind but I would say at least a half million dollars.

Senator WILLIAMS. Is that plant or the machinery of any use whatever if the industry is not put in a position where it can resume operations?

Can it be converted for any other purposes?

Mr. CONNOR. Of production?

Senator WILLIAMS. Yes.

Mr. CONNOR. No, sir. None that I know of.

Senator WILLIAMS. And it is of no use at all, unless it can be producing the production for which it was intended?

Mr. CONNOR. I would say at least 90 percent of it is machinery that is especially made for the production of plywood and veneer.

Senator WILLIAMS. That was my understanding.

Mr. CONNOR. Yes.

Senator WILLIAMS. There is no further question.

Thank you.

Senator KERR. The committee will recess until 9:45 in the morning.

(By direction of the chairman, the following is made a part of the record:)

THE RISDON MANUFACTURING CO.,
Naugatuck, Conn., June 25, 1958.

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
United States Senate,
Washington, D. C.

DEAR SENATOR BYRD: For the future well-being of our country, and as an immediate check to growing unemployment, is is essential that our international trade policies be restored to the determination of the Congress. The present condition, in which the President and the State Department are making and administering trade agreements without the consent of those elected to protect our interests, is not a democratic procedure.

Many of my friends in Connecticut industries hope that hearings now being conducted will result in a complete overhaul of our trade policies to restore their determination to Congress. They joint me in urging your support of measures which will protect our home enterprise and our economy from the onsulaught of importations which are practically unlimited and unchecked.

Senator Strom Thurmond has introduced an amendment to H. R. 12591, the Mills bill, recently passed by the House. Senator Thurmond's amendment deserves the support of your committee to restore congressional control to our international trade negotiations, and to assure protection to American industry, not only in the present recession, but for the strength of our country at all times.

Respectfully yours,

S. L. HOTCHKISS,
Sales Manager, Wire Goods Division.

RHODE ISLAND TEXTILE ASSOCIATION,
Providence, R. I., June 26, 1958.

HON. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
United States Senate,
Washington, D. C.

MY DEAR SENATOR BYRD: Your honorable committee has before it at the moment, H. R. 12591, the so-called Mills bill which has passed the House and on which your committee is holding hearings.

The Honorable Strom Thurmond has introduced an amendment to this bill which, in our opinion, corrects some of the faults of the bill as it passed the House.

It is our belief that if the Mills bill is passed by the Senate in its present form it will do great damage to the textile industry, South and North, as well as to many other industries which are vulnerable to competition from foreign lands where living and wage standards are far below ours and approach the level of slave labor as compared to our standards.

Further, the Mills bill would continue present policies as regards international trade over into another Congress and another administration, thereby tying the hands of a Congress yet to be convened and a President yet to be elected.

It would seem to us that continuation of the Trade Agreements Act for 2 years, as provided in Senator Thurmond's amendment, and the return to Congress of the right to determine whether or not the recommendations of the Tariff Commission should prevail, would be in the best interests of our great country and the recession-hit industries which furnish so many thousands of jobs to Americans.

We are sending copies of this letter to Senators Green and Pastore and also to Senator Thurmond, the author of the amendment.

Respectfully yours,

EMERSON M. BULLARD, *President.*

MONSANTO CHEMICAL CO.,
Washington, D. C., June 27, 1958.

Hon. HARRY F. BYRD,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: I am a native as well as a resident of the State of Virginia and as one of your constituents am writing to urge that you give consideration to Senator Thurmond's amendment to H. R. 12591. This amendment would as you know, (1) cut down the 5-year period to 2 years, and (2) restore congressional authority which would mean a Tariff Commission recommendation would become effective unless the President obtained a majority of both Houses of Congress in support of his proposed veto.

There are no arguments, in my opinion, that would justify an extension of the Trade Agreements Act for 5 years, together with a possible reduction of 25 percent in tariffs on any given product. With the unsettled conditions both at home and abroad, it seems to me it would be the part of wisdom to extend the act for only 2 years and at that time make the necessary decision for a possible further extension.

The restoration of congressional authority would still permit the President to explain to both Houses of Congress the necessity for supporting his veto. This should take care of any situation in which the President felt there were overriding reasons for Congress to follow his leadership.

Your consideration of Senator Thurmond's amendment would be appreciated.

Respectfully yours,

EDWARD W. GAMBLE, Jr.

DETREX CHEMICAL INDUSTRIES, INC.,
Detroit, Mich., June 26, 1958.

Re: Our approval of Thurmond amendment to H. R. 12591.
Our opposition to H. R. 12591 (House passed) Mills bill.

Hon. HARRY F. BYRD,
Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: It is our understanding the Finance Committee is conducting hearings on the above two proposals. We feel the adoption of the Thurmond amendment will apply some commonsense control to this whole foreign trade issue and will provide to a degree, some safeguard for both our domestic industry and labor.

We are opposed to H. R. 12591 (House passed) Mills bill in its present form for this would continue to give the President authority, under which we have been unable to obtain necessary relief recently, and will further continue to injure segments of our industry already hurt by heavy low-cost imports.

At present, we are being very adversely affected in the manufacture and sale of our chemical products, particularly, trichlorethylene. Low-cost imports into the United States of this product is rapidly increasing, shipments thereof in 1957 increased 65 percent over 1956—reaching an all-time high in 1957 of 36 million pounds imported. The inevitable results if the Mills bill is enacted, will lead to the rapid erosion of the manufacture of this chemical in the United States. This product is of vital importance to the United States industry and to the economic strength of the United States, for 100 percent of this product was on rigid Government allocation during World War II.

We are unable to compete with these low-cost imports because of the many controls imposed upon our domestic industry which are the very essence of our economy, such as: Minimum wage laws; obligatory collective bargaining; Federal Trade Commission regulations; higher costs of raw materials, etc. We would appreciate whatever assistance you may be able to give for the adoption of the Thurmond amendment and the defeat of H. R. 12591 in its present form.

Yours very truly,

E. W. ALLISON, *Secretary.*

ATLANTIC STEEL CO.,
Atlanta, Ga., June 26, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: I write as chairman of the board of Atlantic Steel Co. of Atlanta, Ga., and I appreciate very much the invitation to appear before your committee to testify on the reciprocal trades bill. In reading your telegram and in discussing the subject with Senator Talmadge, I realize that your committee is heavily pressed for time.

After due consideration, I feel that the interest of our company and its employees will be adequately served by this letter. Hence, I will not appear in person, but do request you to consider this letter and make it part of these hearings.

We are unalterably opposed to the bill as passed by the House. A major part of our business is in the manufacture and sale of wire and wire products, including items such as barbed wire, fence, nails, reinforcing bars, etc. Rapidly we are being forced out of all four of these large segments of our business—due largely to the competition of similar foreign items in our markets.

On March 12, 1958, I presented our case in a statement before the House Ways and Means Committee when this legislation was before it. I am enclosing a copy of that statement because conditions have not changed, and I sincerely believe that this will prove of interest to your committee. Will you please consider having it become part of your hearings?

Most sincerely,

R. S. LYNCH, *Chairman.*

My name is Robert S. Lynch. I am chairman of the board of Atlantic Steel Co., Atlanta, Ga. We are seriously injured by foreign imports. Our stockholders are suffering—the company having skipped its dividend for the first time since the depth of the depression. Our employees are suffering—one-third of them having been laid off from work. Our predicament, and that of many in steel and other industries, is caused by deliberate action of Congress through its trade agreements legislation. Hence, we must look to Congress for relief.

Atlantic Steel makes a variety of small steel and wire products. We are comparatively small business. Our plant is located in the heart of an area of great growth, served by us since 1901. After World War II we analyzed regional prospects for steel and determined that, with major improvements, we could compete with American producers. So, we recently spent $15 million to modernize our plant and equipment, reasonably expecting to share in these markets. To our complete shock, however, we find ourselves rapidly being closed out of them, even though our prices fully meet American competition. They are now being taken, consistently and increasingly each year, by foreign producers.

Foreign imports were no major problem to us until about 1954, but since then our experience, coupled with knowledge of what imports have done to industries stricken earlier than we, gives cause for much justifiable alarm. The extent is shown by the following examples: In 1957 our sales of fence were 72 percent below our fence sales in 1953, and sales of nails had dropped

30 percent. Our 1957 sales of barbed wire were 84 percent below those in 1953, and 1957 sales of reinforcing bars were 40 percent below 1953. However, during this period imports of these items into our area rose as fast as the speed of our losses. Thus, in 1957 imports of foreign fence were 966 percent higher than in 1953, and imported nails increased by 340 percent. Barbed wire imports were up 412 percent in 1957, and reinforcing bars were 153 percent more than 1953. These figures provide an accurate, not theoretical, comparison of an actual situation, showing our actual losses and the import figures showing who have benefited directly by our losses.

Those who urge for free trade will argue that import tonnage of certain steels in 1957 was no higher than in 1956 and hence the spiraling trend has leveled off. This is far from the case. In 1957, and thus far in 1958, the entire American market for steel is down. Our plants now operate at only 53 percent of capacity. Sales of domestic steel are down tremendously, while steel imports have not diminished. On the contrary, many imported items have increased substantially, despite reduced American demand for steel.

Atlantic Steel is not the only steel company in the foreign-import vise. In fact, almost the only companies free from it are those who markets have not yet been reached by the foreign producers, or because they make items which are not yet being sent over here in large quantities. But their time will come, too. Unless this trend of steel imports is sharply turned by Congress, it is only a matter of time before every American producer, regardless of where located, will suffer. The problem becomes more acute, and more permanent, each year. By paying their labor only 10 percent to 25 percent as much as we pay ours, and with lower cost raw materials, foreign producers make top-quality steel at a fraction of our cost. Because of much lower costs they can always have lower prices. And, since the lowest price gets the order for similar steel, foreign competitors are sure to take the American markets, as long as they are permitted to do so. The situation deserves your close attention.

Let us see how it is developing. Serious injury from steel imports was first felt in the Southeastern States. The foreign producers have been both intelligent and subtle in their approach, and in timing their entry into American markets. They have moved into carefully chosen areas, so as to create the least awareness and reaction from the steel industry. But wherever they have come, they have taken what they wanted. From the south Atlantic ports, foreign steel has spread until it is now a serious and growing problem in the areas served by the gulf ports, the north Atlantic ports and those up the Mississippi. Also imports of steel are up 88 percent in 4 years on the west coast. The problem will soon be nationwide, particularly when the St. Lawrence seaway is open. Then Pittsburgh, Cleveland, Chicago, Detroit, and other industrial centers affected by the seaway will feel what others of us feel now.

Not only will this problem cover the entire Nation but it will also cover most of the products in most segments of the industry. In these first years, the foreign producers have used their vast cost advantage to send smaller steel products. The speed of growth and the trend are clearly shown by the percentages as to specific products referred to above. However, they are now increasing their shipments of large items; shapes, plates, pipe, *etc.* And by underpricing, they will take those markets, too. Thus, in 1957 the amount of plate imported was about 1,200 percent higher than in 1954; structural shapes were up 58 percent, pilings up 1,600 percent, and pipe and tubing were up 255 percent in 1957 as compared with imports in 1954. True, these imports do not yet amount to a vast part of the whole market for these large items, but the trend as to them is following the pattern of the smaller items. It is not a question of "if" but "when." Since a mill to make large items costs many times more than a mill for small items, limitation of capital has chiefly limited the scope and speed of imports of large steel items. However, the immense profits from sales of small items over here, when coupled with their government subsidies and with little or no income tax, will provide the foreign producers the capital for the large items. Before long, major phases of the steel industry, just as a growing number of other important industries, will be fighting for survival.

In considering the motivation of these imports, note that many imported items do not come by chance, nor are they standard products distributed in the course of normal business. They have been designed and manufactured solely in order that they can enter and take our markets. For an example in our industry, barbed wire is an item scarcely used outside the United States—but foreign producers have recently begun to make it and send it here in growing quanti-

ties, so that about two-thirds of the American barbed wire market is already in their hands. Foreign competitors treat many items in many industries similarly.

The general trend is bound to deter further expansion of American steel capacity. The immense capital for new capacity cannot be justified without 10-to-20-year prospects of good demand and fair prices for domestic steel. Though the long-range outlook for American steel needs is bright, confidence in prices is lacking—largely because of import trends. Free trade proponents will argue expansion is continuing, based on the fact that the industry has plans to spend $1 billion this year. Do not be misled. The expansion in 1957 was almost twice this amount, and most of 1958 spending will be for repairs and replacements—little for new plant. Unless Congress turns the tide, there will be little more domestic expansion, and much of the steel for our future industrial growth will come from foreign sources.

Others will argue that Congress should not yet concern itself with imported steel (1) because some large mills have made good profits in recent years, and (2) because our export tonnage is still much greater than import tonnage. They will provide statistics showing many man-hours of work and much dollar-volume of income which come to us from steel exports, concluding that by limiting imports in order to fairly protect domestic industries, the direct result will be to lay off the workers who produce exports and to cut off our income. Such arguments ignore the real point. It is of much national importance that our steel mills prosper, because when they cease to do so they will either retrench or liquidate. Or, maybe the mills will be moved overseas where great profits are virtually assured them.

It is also of much national importance that we always have a sizable surplus of exported steel over imports. Our steel industry must at all times be unequally strong, and to be so the United States must be the steel suppliers for as much of the world as possible. The more of the world which needs our steel, the stronger our mills and our Nation will be. In this connection, let us realize that our steel exports are large now only because overseas buyers today have no choice other than to buy various items from us at prices determined largely by our high wages. And let us also face the certain fact that the minute that foreign mills can supply the items which we now export, American industry will lose those overseas buyers and will cease to export, because the foreign prices are sure to be much lower than ours. The more mills we help build for overseas competitors, the sooner we will be out of the export business. Stated simply, our exports will be large only so long as we are the necessary source of purchase.

Statistics often are misleading, and all of them submitted to you must be well sifted before being used to support legislation as important as that here considered. I learned long ago that a skilled statistician can often clearly prove either side of any question. In the highly complicated matter of foreign imports, you cannot sustain a general proposal to give away certain American industries to foreign competitors purely on the basis of some general statistics which theoretically indicate that certain other American industries are currently prospering from exports. Remember that America must export in order to continue upward growth. But, to export, our businesses must excel in newness and quality of products because we cannot generally compete in price. However, to have newness and quality of products we must have constant research, and constant research cannot be carried on by dying businesses.

Some will argue that Congress should not yet worry about steel imports because only part of the total industry is now seriously damaged, indicating that you should do nothing until mammoth injury to the vitals of the industry is proved. This is a complete and serious fallacy. If currentness of vital injury determines Congress' interest in the import problems of basic industries, this Nation is in for real trouble. None of us should for a moment forget our situation at the start of World War II, caused by our failure to have kept strong certain industries which were basic to military strength—aluminum, magnesium, synthetic rubber, chemicals, explosives, optical goods, drugs, etc. Those who were then our enemies took full advantage of our glaring lack of vigilance and, in one way and another, saw to it that many of these industries were kept inadequate for our needed wartime use. On that occasion, our weakness was brought about by the economic maneuverings of enemies—and we were highly blamable. But how much more blamable are we today when the jeopardy to our capaicty to produce steel, chemicals, textiles, oil, etc., is of our own making—and caused largely by the considered actions of our own Congress. We might do well to look realistically at what has been happening to our strength for fighting world war III.

Congress determined, soon after World War II, that it was extremely important to keep the so-called free world strong. And, to do this it placed major emphasis on our helping to build the industrial capacities of various foreign countries. As the first step, Congress provided the money (usually as gifts, though often called loans) to build new plants for them. Our experts were sent to establish their operations and give them our know-how. Many of us were encouraged to invite them over here and to open wide our plants in order that they could further learn our operating technique. Finally, to assure their success, Congress empowered the President, through his executive departments, to make binding contracts whereby the foreign producers could take American markets at the full expense of our producers. In practice, the President permits the State Department, as an arm of our foreign policy, to reduce tariffs and thereby to give away and destroy our businesses in exchange for political concessions.

Congress thereby declared, in effect, that industries so drafted were expendable. Hence, if country A says it would like us better if it had a large textile industry, the Department can arrange to provide one. It can help provide new mills, staff them in key positions and then by tariff relief assure them American markets. As a result, down goes the American textile industry. Or, if country B says it will be our friend provided it can ship us 100,000 barrels of oil a day, the State Department can, by easing import restrictions, greatly disturb producers in Texas and Oklahoma, whose prices must reflect that they may have as great drilling expenses for a 40 barrel-a-day well as is had for a 10,000 barrel-a-day well in country B. On along the line, the State Department, following its own instinct and whims, can use hop, skip, and jump tactics to cripple and kill any of our industries it feels like.

Thus, Congress empowers the President to reduce almost any industry, selected for the ax by the State Department, to whatever level foreign governmental pressures might convince the Department. Many businesses have already been sacrificed. Textiles, oil, small steel and many others today feel the boot on their necks, and more will soon feel it. Certain industries, because of their immensity or intricacy or for other reasons, have thus far been immune, but the immune list shrinks each year as more foreign producers become able to compete with more of us. This entire situation is literally unbelievable. It is as though we were holding a gun at our own head with one hand and digging our grave with the other.

Congress may have felt that procedures, whereby import sufferers may seek relief from the Tariff Commission, could and would protect American industries from extreme hardships. However, the poor results of nearly all who have sought the Commission have destroyed confidence in it as a worthwhile source of relief. Those who seek its escape clause and peril point shelter find none and, further, they are unduly delayed many months by the slowness in receiving decisions. The Commission lost its chance to be materially effective when Congress authorized the President to override Commission decisions and let his departments alone decide whether to back up or turn down an industry in a tariff fight for survival. In practice, the State Department finds it much easier to make international friends by acceding to tariff requests from foreign nations. It operates on the theory that the more of their requests accepted, the more friends we make. And the more friends so made, the stronger our Nation. Speaking frankly, this right and use of Presidential veto has reduced the real value of the Commission to about the same practical extent that the right of veto by the Russians has reduced the real value of the United Nations.

Undoubtedly, Congress, the President and the State Department are sincere in their belief (1) that it is to our major interest to keep friendly nations strong, and (2) that it is all right to sacrifice and destroy our domestic industries to do so. To me, such beliefs show a very clear-cut failure to put first things first. I believe that the first thing of importance to the United States is the strength of the United States itself—and the strength of any other nations must definitely be second. It is both unrealistic and foolhardy for us to place first (or even major) military reliance on industrial capacities located overseas, regardless of whether they are owned or operated by foreigners or Americans. And, it is equally foolish to dilute our own prime strengths by nourishing those of others to such extent that we jeopardize our own. In considering this point, let us face one fact honestly. Our Government has never been really expert or really accomplished in the field of foreign relations, and we consistently come out second. But we are the world's greatest expert at being industrially strong. Is it wise to place our chief hope for national survival on our talent at the international conference table where we have always been weak? Is it not wiser to

devote our principal attention to those fields where we have always been strong and which, if properly developed, can assure our continued existence?

Nothing in the world today is more significant to the United States than the threat of communism. So let us not be at all mistaken about them. The Communists are total realists, and by instinct they face facts. They understand people and they understand history. They know the vital value of staying nationally strong and alert. They know what they want and are dedicated in their effort to get it. They gobble up all who are weak or not wise enough to maintain their strength. Furthermore, the Communists understand Americans very well. History shows them how on three separate occasions (before World War I, before World War II and since World War II) we have casually permitted ourselves to fall into secondary position in military strength. They can see how little real wisdom we have acquired as a result of three bitter wars, and they can see the lack of down-to-earth realism that still directs our foreign policy.

So, the Communists plot our downfall intelligently. They keep themselves strong, and simultaneously weaken us however and wherever they can, trying to bleed us white by encouraging every possible country to put endless pressures on us for economic and military aid. It is obvious to them that even we cannot keep 1½ billion of the world's people materially strong and prosperous without bankrupting ourselves. Let us be sensible enough to face the fact that if all of our great resources were divided equally among all the people of the free world, this would not improve or sustain them long—but, it would have destroyed us in the process.

Congress must give first, second, and third consideration to keep this Nation unequally strong for war, relying as far as possible on militarily useful facilities within our own borders. But to keep us strong a first step is to make absolutely certain that our basic military industries (of which steel is the most basic) are strong. On this point, all of us should be impressed by the fact that in the last 5 years American steel production has not increased—but during that same period foreign production has increased by nearly 50 percent. In 1953 we provided more than 44 percent of the world's total production, but in 1957 we provided only 34 percent—and the trend is steadily downward. There is more than statistical significance to these figures. Our world position in steel is slipping.

There is one point in this problem of the effect of foreign import that parhave no right to confiscate such industry or business without pay. The situament to select and destroy an individual industry without compensation, solely in order to benefit our national foreign policy. It is grossly unfair for any private industry to be forced in such manner to be sacrificed for the common good. If the State Department determines that friendship with a particular country must be gained by having us import certain goods on terms quite harmful to a particular domestic industry or business, then the Department should have no right to confiscate such industry or business without pay. The situation is precisely similar to situations involving "eminent domain," whereunder if the Government takes a person's property for the common good, such person is compensated fairly from the Government Treasury. There is no difference whatever in principle between an agency of the Government taking private property for a Federal building by eminent domain and an agency of the Government taking private property for our foreign policy by tariff manipulation. In each instance, the entire Nation receives benefit—hence, in each instance the Government Treasury should provide fair compensation. Such an arrangement would also have a very useful value in that it would inject the element of practical realism into these activities of the State Department. The State Department would have to budget itself and consider the specific dollar price of each of such purchase of international friendship—a situation that does not today prevail. I ask your careful consideration of the merit and justice of this suggestion.

In looking to the future, American businesses ought to be told if Congress' definite policy is for foreign productive capacity and employment to be increased (even though it causes a drop in domestic production and employment). If this is to be a long-range policy, some of us in steel and other industries wish to know in order that we can carefully consider the possible advantages of transferring our money, machinery and know-how from this country overseas to build new industries there. In fact, many major American concerns have already done so, and the number is growing rapidly. Using low cost labor, these firms

are making their products overseas and then ship them back into the domestic market at prices well below domestic competition. As examples, American firms now make cars overseas and ship them here to take the markets of home-made cars. American oil companies are producing foreign oil and sending it to American markets, while allowables are being cut drastically in Texas and Oklahoma.

The same situation is true of textiles, farm equipment, electrical appliances and on down the line—duplicated many times in many industries. Let me cite a single example, purely to give an idea of the general scope and direction of this situation. One European country, about half the size of West Virginia, is now widely circularizing American firms (and has communicated directly with us) to set up a business there. It lists over 70 American companies which have established operations in the country in the past 10 years, stating that 16 American companies came in 1957 alone. Think what this means worldwide. These overseas efforts are bringing the participating American firms great profits, and are providing employment for countless thousands of foreign workers. The profits are so attractive that many such firms have changed their former philosophy and are now strong "free trade" advocates. Their changed views, which are directly related to their pocketbooks, are probably shown clearly by their testimony before your committee.

We do not wish to state major problems without suggesting realms for solution. If Congress agrees that the situation deserves relief, we first suggest that the Tariff Commission be given the "teeth" necessary to be useful in backing up qualified American producers who are suffering from undue foreign imports. Its decisions must be given finality. And, quicker decisions, especially in peril-point cases, must be required. We suggest further that a system of quotas be established and made known, setting and limiting under definite formulas the annual volume of particular imported products. If our businesses know which and how much goods foreign producers can bring into this country and over how long a period, both they and the foreign producers can plan in accordance. Present indefiniteness is not helpful to either side. Finally, we suggest that a just system be established, whereby the State Department may no longer by import manipulation destroy or cripple, without fair compensation, a particular American industry or business for the common good.

The nature and scope of the future American steel industry is largely up to Congress—because Congress can control imports through its control of tariffs. It can neither sidestep nor shirk its position—one which is of its own creation. Until Congress makes up its mind as to tariffs and then fixes the results of its decision for a reasonable number of years, American steel producers can chart no intelligent course for their future. And, let us note very carefully that today about 5 million Americans are out of work, and our economists and newspapers talk much of long-range recession and depression. Remember, we are deliberately building up the productive capacity of the rest of the world, primarily to let them share the American market, and we are employing their workers in great numbers while at the same time our own go idle and our businessmen become grim as to both present and future. Gentlemen, this approach will not keep America strong—it may not keep it alive.

NATIONAL COAL ASSOCIATION,
Washington, D. C., June 12, 1958.

Hon. HARRY F. BYRD,
United States Senate,
Washington, D. C.

DEAR SENATOR: The coal industry continues to suffer heavily from excessive imports of foreign oil, both crude and residual. For several years spokesmen for the industry have been endeavoring to impress those in positions of responsibility with the seriousness of the situation. We have endeavored specially to impress the Office of Defense Mobilization with the need for effectuating the recommendations of the Presidential Advisory Committee on Energy Supplies and Resources Policy issued in February 1955, and the need to implement the congressional intent in adopting the defense industries amendment to the Trade Agreements Extension Act of 1955.

On May 30, 1958, I wrote to Mr. Gordon Gray, Director of the Office of Defense Mobilization. A copy of that letter and the attachments are enclosed.

This was written since Mr. Gray had indicated the coal industry had no complaint regarding the volume of residual oil imports because of the percentage that was being imported "in bond." You will note from the facts supplied Mr. Gray that the "in bond" imports do not lessen the degree of injury to the domestic coal and petroleum industries by the unrestricted importations.

The recent modification by the administration of its voluntary program on oil imports to include certain oil products again by-passed the problems of the coal and domestic petroleum industries arising from imports. The voluntary program was expanded to include unfinished gasoline and oil. The recommendation was that the imports of these products be kept at present levels—not that they be reduced. This action completely ignored, again, the residual oil import situation.

In view of the attitude of officials administering the voluntary oil import program, we feel there is no alternative but to continue the fight for appropriate congressional determination of standards for realistic and adequate limitation on oil imports—crude, residual and products. We shall continue to urge that congressional enactment of a mandatory program is the only effective remedy for the situation that is impairing the capacity of the domestic energy sources to supply in the Nation's requirements. We hope this action will be taken by the Congress in considering the extension of the Trade Agreements Act now pending.

We respectfully solicit your active assistance in the accomplishment of this objective.

Yours very truly,

TOM PICKETT, *Executive Vice President.*

NATIONAL COAL ASSOCIATION,
Washington, D. C., May 1958.
Washington, D. C., May 30, 1958

Hon. GORDON GRAY,
Director, Office of Defense Mobilization,
Executive Office Building, Washington, D. C.

DEAR MR. GRAY: Supplementing our short conversation of Thursday, May 22, when we met in the anteroom of the House Ways and Means Committee, I am enclosing two copies each of statistical material, which I indicated I would have prepared for you.

You raised the question as to the volume of residual fuel oil imports being brought into this country "free of bond." For purposes of comparison we have had prepared a table showing the volume of residual oil imports, excluding "in bond," for the years of 1954 through 1957 and for the first two months of 1958. We also show the total domestic production and the total domestic demand for each of these periods. Other columns show the ratio which residual imports bore to domestic production under the 1954 formula recommended by the Presidential Advisory Committee and the amount by which actual ratios exceed the 1954 levels.

The lower part of the table shows the increases in the volume of residual oil produced from imported crude oil, which is likewise an important factor in the competitive impact on coal's markets. This is a segment of oil import competition which is not generally included in the consideration of effects which this competition has on our industry.

As a vivid example of what current conditions have done to the coal industry's production, I am also including a table showing the bituminous coal production in the United States from the years 1947 to 1957, with actual production through May 10, 1958, and an estimate of 1958's production based on best indexes available at this time.

After a study of these figures, I am sure that you will agree with us that even with residual "in bond" excluded from the calculations, we still have a very serious situation facing us in the form of the growing volume of the residual imports and their effect on the coal industry.

I trust that if you have any questions regarding this submission, or if you desire any additional information, you will feel free to call on me.

Yours very truly,

TOM PICKETT, *Executive Vice President.*

Data on residual oil imports (excluding "in bond"), 1954–58

[Thousands of barrels]

Year	Residual imports	Total domestic production	Total domestic demand	Residual imports as percent of—			Quota under 1954 formula
				Domestic production	Domestic demand	Excess over 1954 formula	
1954	103,022	2,314,988	2,832,424	4.5	3.6	.....	4.5
1955	121,970	2,484,428	3,087,775	4.9	4.0	.4	4.5
1956	128,321	2,617,283	3,213,187	4.9	4.0	.4	4.5
1957	132,202	2,618,884	3,210,893	5.0	4.1	.5	4.5
1958 (2 months)	32,748	403,461	598,445	8.1	5.5	3.6	4.5
RESIDUAL OIL FROM FOREIGN CRUDE							
1954	47,760	2,314,988	2,832,424	2.1	1.7	.....	1.7
1955	56,677	2,484,428	3,087,775	2.3	1.8	.2	1.7
1956	68,290	2,617,283	3,213,187	2.6	2.1	.5	1.7
1957	71,732	2,618,884	3,210,893	2.7	2.2	.6	1.7
1958 (2 months)	10,992	403,461	598,445	2.7	1.8	.6	1.7

Source: U. S. Bureau of Mines and Department of Commerce.

United States domestic crude production and residual fuel oil from foreign sources

[Thousands of barrels and thousands of tons of coal equivalent where indicated]

	1954	1955	1956	1957	Estimated 1st half 1958
Crude oil:					
Production	2,314,988	2,484,428	2,617,283	2,618,884	1,176,500
Imports	239,479	285,421	341,833	362,786	170,140
Ratio: Imports to production	10.3	11.5	13.1	13.9	14.5
Imports: 1954 ratio	239,479	255,806	269,580	269,745	121,180
Excess over 1954 ratio	.....	29,525	72,253	94,043	48,960
Residual fuel oil:					
Imports	129,124	152,035	162,869	173,201	88,690
(Tons coal equivalent)	30,987	36,485	39,085	41,568	21,284
Ratio: Imports to crude production	5.6	6.1	6.2	6.6	7.5
Imports at 1954 ratio	129,124	139,128	146,566	146,656	65,854
Excess over 1954 ratio	.....	12,907	16,301	26,543	22,806
(Tons coal equivalent)	.....	3,097	3,912	6,370	5,473
Residual fuel oil from foreign crude:					
Total production	47,760	56,677	68,290	71,732	34,082
(Tons coal equivalent)	11,461	13,601	16,388	17,214	8,179
Ratio: Residual oil from foreign crude to crude production	2.1	2.3	2.6	2.7	2.9
Residual oil from foreign crude at 1954 ratio	47,760	52,173	54,963	54,997	24,707
Excess over 1954 ratio	.....	4,504	13,327	16,735	9,375
(Tons coal equivalent)	.....	1,081	3,198	4,016	2,250
Total residual from foreign sources:					
Total quantity	176,884	208,712	231,159	244,933	122,772
(Tons coal equivalent) [1]	42,449	50,087	55,474	58,779	29,463
(Accumulated total tons)	42,449	92,536	148,010	206,789	236,252
Excess over 1954 ratio	.....	17,411	29,628	43,278	32,181
(Tons coal equivalent) [1]	.....	4,178	7,110	10,386	7,723
(Accumulated total tons)	.....	4,178	11,288	21,674	29,397

[1] Total may not add because of rounding.

Bituminous coal production, 1947–57

Year:	Thousands of tons	Year—Continued	Thousands of tons
1947	630, 624	1953	457, 200
1948	599, 518	1954	391, 706
1949	437, 868	1955	464, 033
1950	516, 311	1956	500, 874
1951	533, 665	1957	490, 000
1952	466, 841	1958 (estimate) [1]	[2] 406, 614
Production to May 10, 1958			138, 614
Production same period, 1957			184, 383
Percent decrease 1958 from 1957			24. 8

[1] Based on production to May 10, 1958, of 138,614,000 tons, production in the remaining 33⅓ weeks, less vacation period and contract holidays and allowing for some increase in industrial activity, is calculated at approximately 8 million tons weekly or a total for the remainder of the year of 268,000,000 tons, which added to the May 10 production figure results in the 406,614,000-ton estimate.

[2] Decrease from 1957 of 17 percent.

Prices of residual fuel oil, New York Harbor, and comparative price of coal equivalent, 1946–58

	Average price residual fuel oil, New York Harbor	Average price per coal equivalent		Average price residual fuel oil, New York Harbor	Average price per coal equivalent
		Ton			Ton
1946	$1. 762	$7. 34	1956	$2. 80	$11. 67
1947	2. 285	9. 52	1957—Jan. 1	3. 05	12. 71
1948	3. 00	12. 50	Jan. 21	3. 30	13. 75
1949	1. 897	7. 91	Apr. 29	3. 20	13. 33
1950	2. 093	8. 72	May 20	3. 10	12. 92
1951	2. 323	9. 68	July 22	3. 05	12. 71
1952	2. 309	9. 62	Aug. 19	2. 95	12. 29
1953	2. 155	8. 98	1958—Jan. 27	2. 75	11. 46
1954	2. 232	9. 30	Feb. 26	2. 65	11. 04
1955	2. 479	10. 33	May 9	2. 22	9. 26

Statement of Donald Linville, Executive Secretary, Hardboard Associatiation

This statement is filed on behalf of the Hardboard Association, a trade association of domestic hardboard producers, in opposition to H. R. 12591, extending and broadening the President's authority to enter into trade agreements.

Despite the fact that hardboard [1] is a wood product by composition and use competing principally with lumber and plywood, imported hardboard is classified, administratively, as "pulpboard * * * plate finished," in Tariff Item 1413. Although the original 1930 rate for Tariff Item 1413 was 80 percent ad valorem, that rate was subsequently reduced in trade agreements to where imported hardboard as presently classified now carries a duty rate of $7.25 per short ton, but not more than 15 percent ad valorem nor less than 7½ percent ad valorem, which has been estimated to result in an ad valorem equivalent of 8 percent, that 1954

[1] Hardboard is the generic term for a hard, dense, grainless board, composed of wood, having high tensile strength and density, and low water absorption. It is essentially reconstituted wood, being wood that has been taken apart and reformed into large, wide boards having great utility, i. e., wood made better that will not split, splinter, or crack.

From a simple origin in 1926 as an American invention of a way to use sawmill slab waste and edgings, hardboard has become a product of hundreds of uses in all walks of life. It is widely used in the merchandising and display, transportation, furniture, and millwork, education, recreation, electronic, and manufacturing fields.

Hardboard manufacture affords a real opportunity to utilize more fully the tremendous quantities of wood waste generated annually in this country in lumbering operations and woodlots. During World War II, hardboard became highly essential to the war effort and literally went to war, virtually the entire domestic hardboard production being preempted for war uses. Because of this essentiality and utilization of our forest resources, the Federal Government since World War II has encouraged and fostered in various ways the development of a large hardboard industry.

estimate being "based on an estimated average foreign value of 4½ cents a pound." [2]

Although mindful of the basic objectives of the trade agreements program, the domestic hardboard producers are opposed to H. R. 12591 which would extend the Executive's authority to make new agreements for an unprecedented 5-year term and grant him exceedingly broad new tariff cutting authority.

Interpreted in light of a typical imported manufactured article, i. e., hardboard, the trade agreements program has already resulted in a 73.4 percent reduction in duty [3], the reciprocity for such concessions being entirely unknown. At the same time, although the maintenance of prohibitory tariff rates abroad [4] has virtually stifled exports of American hardboard, imports of foreign hardboard to the United States are at an all time high, imports from principal exporting country (Sweden) having increased 450 percent in the last 5 years.

Our objections to the bill are threefold:

1. The proposed 5-year extension is clearly excessive. In effect, it is an authority having effect for as many as 10 years, because of its provisions permitting negotiations involving the full 5-year period of reduction up to the moment the legislation expires.

Such a lengthy abrogation of congressional control of tariff making authority to the Executive is particularly obnoxious now. If enacted, Congress will have placed itself in a position where it cannot consider objectively the nearly completed Tariff Commission's recommendations for correcting anamolous and illogical tariff classifications, due next January. If enacted, Congress will be unable to correct deficiencies that develop in procedure, to adjust tariff policy in light of periods of slowing economic activity and growing unemployment, to redefine import policy in light of national security and agricultural programs requirements, etc. Obviously, Congress should review the trade agreements program annually or biannually.

2. The proposal to authorize the Executive by negotiation to grant concessions leading to the lowest duty possible under three alternative approaches—which can readily lead to reductions in present reduced tariff rates far in excess of 25 percent and up to almost 100 percent in many instances—is alarming in its implications.

The 25 percent reduction authority is grossly excessive in light of their generally being only about 25 percent left of the 1930 rates. However, the alternative authority to reduce any rate by "2 per centum ad valorem below the rate existing on July 1, 1958" is even more far reaching and is a tremendously broad new power.

This latter alternative is particularly discriminatory to commodities now subject to a specific rate or to a combination of rates including a specific rate.

As applied to such an article as hardboard, which is subject to a combination of rates including a specific rate, this 2 percent provision is to 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)," which representative period is apparently to be determined by the President.

The extraordinary effect of first converting such a specific rate to an ad valorem equivalent rate, and second reducing that ad valorem equivalent rate by 2 percent ad valorem, in accordance with H. R. 12591, without more, can amount to as much as 57.1 percent reduction in the present reduced duty on a product like hardboard.

Where values on imported hardboard can and regularly do vary from different countries and from different producers in a country—where, for example, Swedish hardboard values are as low as 60 percent of Canadian values for the same

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[2] See Tariff Commission Report of March 1955 on Hardboard, p. 27. An estimated average foreign value of 4½ cents per pound is the equivalent of $33.75 per 1,000 square feet, of ⅛-inch standard hardboard (750 pounds).

[3] The 1930 rate of 30 percent ad valorem has been reduced under the program to an estimated ad valorem equivalent of 8 percent (see note 2), or a 73.4 percent reduction.

[4] Although our reduced ad valorem equivalent rate may be as low as 8 percent, Mexico imposes a 50-percent ad valorem rate, France and Brazil 30 percent, Venezuela 33 percent, Italy 20 percent, Belgium 24 percent, Canada 21½ percent, and the United Kingdom and Cuba 20 percent. Many of these countries also apply import or exchange restrictions to hardboard imported from the United States. See Tariff Commission Report of March 1955 on Hardboard, table 2, p. 31.

type hardboard[5]—the required conversion from a specific rate to an ad valorem equivalent rate can itself lead to major reductions in duty of from 10–40 percent. Such a step is the equivalent of averaging apples and bananas, and is grossly unfair to imports from Country A and overly beneficial to imports from Country B. And, if Country B is dumping, the ironic result of H. R. 12591 is to reward that dumping.[6]

Then reducing the converted rate by an additional "2 percent ad valorem," in accordance with H. R. 12591, would be a further reduction in excess of 25 percent on any ad valorem equivalent rate that 7½ percent or less.

Why a 2 percent ad valorem alternative reduction, instead of some other or any such percentage? In view of the great number of tariff rates that have been reduced during the past 24 years to 8 percent ad valorem or less, this innocent appearing "2 percent ad valorem" alternative could eliminate all vestige of protection of such rates.

Such an alternative is especially anomalous in view of the complete lack of benchmarks in H. R. 12591 to guide the Executive in exercising such powers. He is given no direction, and has unbridled discretion to grant concessions, without regard to national security considerations, reductions heretofore made, sensitiveness of the industry to imports, relative wage rates, conservation of natural resources, etc. There is not even a benchmark for determining a representative period in converting specific rates to ad valorem equivalents.

Such standards, the lack of which cannot be cured by the escape clause, are needed not only to insure constitutionality, but to avoid individual industries being sacrificed in furthering our foreign relations and to make the impact of tariff concessions fall evenly on our whole economy.

3. The proposed amendments to the escape clause are wholly abortive. Such amendments would ironically change the constitutional control of tariffs by Congress by a majority vote to one that can be exercized only by a two-thirds vote.

Such an obviously ineffective escape remedy is not cured either by authorizing a larger restoration of tariff concessions, or by authorizing imposition of Executive established duties on "free list" commodities, a highly questionable power under the Constitution, in those instances where the Executive decides to follow an escape clause recommendation of the Tariff Commission. That would have heretofore aided only 9 industries in the 11-year history of the escape clause.

It would be unpardonable if what was intended to be a workable escape from individual hardship resulting from trade agreements were to remain for 5 more years as an empty, theoretical remedy. We strenuously oppose substitution of the implicit "foreign relations" test for the traditional "serious injury" test for escape from improvident concessions.

For these reasons, i. e., because of the excessive duration, the broadened novel powers to further reduce present reduced rates, and the absence of a workable escape clause, the domestic hardboard producers oppose passage of H. R. 12591.

UNITED STATES SENATE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
July 2, 1958.

HON. HARRY F. BYRD,
Senate Office Building,
Washington, D. C.

DEAR SENATOR BYRD: For many years now (since 1949) both a Senate majority and I have been convinced that our trade agreements program must be made to conform with the domestic agricultural policy and farm programs laid down by the Congress and administered by the Secretary of Agriculture—in other words, we must write into the trade agreements legislation an effective means of preventing the State Department from so administering the trade agreements program as to interfere with our domestic farm policies and programs.

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[5] In recent years, the volume of imports from Sweden to the United States, as a percent of all hardboard imports, has grown from less than 10 percent in 1952 to well over 50 percent in 1957. Moreover, such Swedish imports have been and are being sold for extremely low prices in this country, as is evidenced by the August 26, 1954, finding of dumping with respect to Swedish hardboard. Such Swedish hardboard is being valued for duty as well as dumping duty purposes for as little as $19.40 per thousand square feet (¼ inch untreated) which is to be compared to the $33.75 per thousand square foot figure used in the 1954 ad valorem equivalent estimate (see note 2).

[6] As Swedish values are reduced, the lower the duty that would result from an ad valorem equivalent.

If we do not have a prompt and effective mechanism of preventing imports of agricultural commodities from interfering with our various agricultural price support programs, we put ourselves in the position of trying to support the world price of agricultural products; or we multiply the cost of programs, designed to put the American farmer on a par with the income and earning power of other segments of the United States economy.

We have had on the statute books, section 22 of the Agricultural Adjustment Act, since 1935. It was clearly designed to provide for mandatory limitation on imports at any time imports threatened or tended to interfere with a price support program or any other farm program administered by the Secretary of Agriculture. However, in spite of repeated amendments to strengthen this statute and to restate the mandate of Congress that the trade agreements be made to conform thereto, the statute has been continuously honored by the State Department and the President only in its breach rather than its enforcement.

The repeated assurances of both Republican and Democratic administrations that section 22 would be more effectively administered have come to naught. The time has now come, therefore, when the Congress must so amend the procedural provisions of section 22 and the Trade Agreements Act as to put section 22 entirely under the control of the Secretary of Agriculture—as is the control of our price support and other farm programs. Only in this fashion can we prevent circumvention of section 22 by the State Department and the gradual erosion of the farm policies and programs laid down by Congress.

When the Secretary of Agriculture administers a price support, marketing agreement or other farm program with respect to an agricultural commodity he should have parallel authority over both the domestic supply and the import supply. If he is in a position to deal effectively with only one source of supply it is obvious that his program cannot be effective. Domestic production plus imports constitutes the overall supply in the domestic market with which the Secretary must deal. It is self-evident that he cannot deal effectively with one without having parallel and simultaneous authority over the other.

Since we have section 22 on the statute books, why do we now need an amendment to the Trade Agreements Extension Act? The answer is, we must have such an amendment because in spite of the repeated congressional mandates, the State Department has continued to circumvent the congressional intent expressed in section 22 and has clearly indicated its intend of continuing to do so unless Congress makes it impossible. A little background will be helpful to your committee in considering this problem.

In both 1949 and 1950, the Senate passed amendments which I, along with other Senators, offered to section 22. These amendments would have transferred the administration and the fact-finding functions under section 22 from the Tariff Commission and the President to the Secretary of Agriculture. Also they provided that our domestic farm programs and section 22 should prevail notwithstanding any foreign trade agreement to the contrary.

To refresh your memory in this connection, I am enclosing a copy of a statement I made in support of our amendment before the Senate Agricultural Committee in 1950 and a copy of my statement on the Senate floor in support of this amendment which was then contained in section 3 of the Commodity Credit Corporation bill, H. R. 6567. This amendment in 1950 was approved unanimously by the Senate Agricultural Committee and adopted on the Senate floor without objection. A copy of the amendment appears in Senate Report No. 1375 of the 81st Congress, 2d session, and in H. R. 6567 as originally passed by the Senate.

However, both in 1949 and in 1950 our amendment to section 22 was either dropped or reversed in conference with the House, based upon assurances of the State Department and the administration, then in power, that section 22 would be more promptly and effectively administered.

In 1950, on the Senate floor, I moved to reject the conference report because I was skeptical of these assurances. My motion was lost by a tie vote, which was broken in favor of the State Department by the then Vice President.

Following that, in 1951 I proposed a similar amendment at the time the Trade Agreements Act was up for extension and your committee very wisely recognized the problem and included in section 8 of the Trade Agreements Extension Act of 1951 an amendment to section 22 which was designed to accomplish my purpose of making the trade agreements program subservient to our agricultural programs and section 22. But you did not include an amendment improving and expediting the procedure as I had proposed. The amend-

ment included by your committee, enacted into law by the Congress and signed by the President, provided as follows:

"(f) No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section."

You will recall at that time you and I discussed the matter and we concluded, in view of the again repeated assurances of the State Department, as to more effective and more prompt administration of section 22 and assurances that the trade agreements program would be made to conform to section 22, that the amendment approved by your committee would be adequate.

In consequence, on the floor I did not insist on the balance of my amendment which would have transferred complete administration and control over section 22 to the Secretary of Agriculture. However, again, the State Department assurances were not honored.

In view of the record up to this point, in 1953 I, along with other cosponsors, proposed amendments which would have expedited the procedure of section 22 and would have made the findings of the Tariff Commission final and binding upon the President. At that time, the need for further strengthening and procedural improvement in section 22 was most ably stated by Secretary of Agriculture Benson as follows (taken from the Secretary's statement before the House Ways and Means Committee during its consideration of H. R. 420, the Trade Agreements Extension Act of 1953, pp. 726–728 of the printed record of such hearings):

"I recently recommended to the Senate and the House Agricultural Committees that the Reciprocal Trade Agreements Act be extended.

"At the same time I indicated that import controls should be provided for those United States agricultural products which were under price support, and recommended that section 22 of the Agricultural Adjustment Act of 1933 be strengthened so as to make this possible. Let me review for you the conditions that made these recommendations advisable.

"We in Agriculture have in operation, as a consequence of congressional action, various price-support programs. Many of the commodities included in these price-support and marketing-order programs are subject to substantial import competition. In many cases the price-support level is substantially above the world market price, even after allowance for the customs duties assessed against imports. When that happens, imports are attracted to this country from all over the world, including areas whose products would normally be exported in whole or in part to other countries where they may be badly needed. But the price-support level in this country acts like a powerful magnet to draw these commodities out of their normal flow in international trade. When we seek to limit the effect of this influence, we are simply seeking to diminish or avoid the distortion of trade by the stimulus of an artificial influence, such as a price-support program.

"I am sure the Congress would not enact a statute making mandatory the support of the world price of agricultural commodities at 90 percent of American parity. Yet that is what the present mandatory supports mean if we do not have a readily available and effective method of controlling imports of those commodities or products whose prices are maintained here above world levels by price-support or marketing-order programs. Our price-support activities, already costly, would become much more expensive.

"In recognition of the fact that a stimulation of imports can impose an intolerable burden on a price-support program, the Congress enacted section 22 of the Agricultural Adjustment Act. This section provides for the imposition of import quotas or import fees whenever imports of any agricultural commodity or product thereof render or tend to render ineffective or materially interfere with any price-support or marketing order (or certain other) pogram. This is permanent legislation.

"Although section 22 was originally enacted in 1935, it was very little used. It calls for investigation by the Tariff Commission after recommendation by the Secretary of Agriculture. Only 5 such investigations have been instituted in the past 17 years. Experience has shown that these investigations are usually long drawn out and this procedure, has proved to be wholly ineffective to meet the problem.

* * * * * * *

"Because of the failure of the executive branch to use section 22 in such a manner as to achieve the objectives of its enactment, Congress enacted section

104 of the Defense Production Act. This section applies only to certain fats and oils, butter, cheese, and other dairy products, peanuts and rice and rice products.

"It requires that imports of such commodities shall be limited to such quantities as the Secretary of Agriculture finds will not (1) impair or reduce domestic production below current levels or such higher levels as deemed desirable; (2) interfere with orderly domestic storing and marketing; or (3) result in an unnecessary burden or expenditure under a price-support program.

"The control of imports under section 104 is prompt and effective. But it has been subjected to severe criticism on the ground that the procedure is arbitrary in character, and it has been the source of much friction in international relations. It requires the imposition of more drastic import restrictions than would be required simply to protect our price-support programs.

"We feel strongly that Congress intended section 22 to be used, and used effectively whenever necessary to protect price-support and other programs. The statutory history clearly so indicates. Section 22 can be made an effective instrument by improved administrative procedures and by supplementing it with authority, in an emergency, to impose the quotas or import fees within the limits specified by the section, on an interim basis pending decision by the Tariff Commission and action by the President. So strengthened, section 22 would assure the protection of the Department's price-support and other programs against interference or nullification by the distortions in international trade which such programs are likely to create.

"Furthermore, under this procedure the import restrictions which are necessary to protect our price-support programs would be subject to deliberations in which all parties could be heard rather than being imposed arbitrarily as is now the case. This would be in harmony with the policies embodied in the reciprocal trade agreements.

"The Tariff Commission, at the request of the President, began hearings on Monday of this week in an effort to expedite action on agricultural commodities now under price support.

"With the strengthening of section 22 there will be no need for an extension of section 104. The strengthening of section 22 can be accomplished by expedited administrative action and by a separate legislative action. I point this out merely to clarify the fact that extension of the trade agreements for a year, pursuant to the President's request, need not impair our price-support operations nor our protection of them.

"I wish to emphasize that the limitation of imports for commodities under price support is made necessary by our price-support laws."

Similar statements were made by Secretary Benson earlier in 1953, before both the House and Senate Committees on agriculture.

When the Trade Agreements Extension Act of 1953 was on the Senate floor for debate, I believe the Senate would have adopted my proposed amendments to section 22 had not the Secretary of Agriculture and other members of the current administration assured us that the new administration would more effectively administer section 22 to prevent trade agreement and import interference with our domestic farm programs. In view of these new assurances, the Senate, in lieu of my proposed amendments adopted an amendment proposed by Senator Cordon which was finally enacted into law and signed by the President, providing as follows:

"In any case where the Secretary of Agriculture determines and reports to the President with regard to any article or articles that a condition exists requiring emergency treatment, the President may take immediate action under this section without awaiting the recommendations of the Tariff Commission, such action to continue in effect pending the report and recommendations of the Tariff Commission and action thereon by the President."

While I feel confident that Secretary of Agriculture Benson, in 1953, fully intended to provide a more prompt and effective administration of section 22 in accordance with his assurances and the clearly expressed Congressional intent; the above amendment enacted by Congress and signed by the President has never been used although there have been many occasions when it appropriately should have been used. The good intentions of the Secretary of Agriculture have simply again been overruled by the State Department and the foreign trade advisers in the White House.

The ineffectiveness of section 22 and the cumbersome procedures under which it now operates—under the influence of the State Department—has been pointed

out to you by the Dairy Industry and probably others in your current hearings on legislation to extend the Trade Agreements Act.

A rather detailed review of the legislative history of section 22, since its inception in 1935, is contained in a statement prepared by Mr. Karl D. Loos for presentation to the Boggs Subcommittee on Foreign Trade Policy. This statement is entitled "Agricultural and Foreign Trade—Section 22 and Congress Versus GATT and State Department." This statement reviews the repeated times that Congress has amended section 22 to strengthen its procedural and substantive provisions—also the manner in which the State Department and the President still continue to ignore section 22 and to make it subservient to the trade-agreements program and the contrary provisions of the executive agreement, known as the General Agreement on Tariffs and Trade (GATT).

I feel that this statement clearly demonstrates the need for further amendment of the procedural provisions of section 22 and the Trade Agreements Act as a condition precedent to any extension. I enclose a copy of this statement for the consideration of your committee.

The State Department and the President have continued to take the position that the executive agreement known as the GATT is superior to and controlling over the mandate of Congress as expressed in section 22. They even go so far as to contend that the existing restrictions on agricultural imports, such as dairy products, are possible only by virtue of a gracious "waiver" which the State Department has obtained from the foreign contracting parties to GATT. Also the State Department and the President have assured the other foreign countries who are members of GATT that the limitations on imports imposed under section 22 will be removed in the near future—and that domestic agricultural price support and other farm programs will be gradually amended to conform with the requirements of international trade and the provisions of GATT.

This presents a situation which I believe the Congress must correct. We cannot allow the State Department to ignore the congressional mandate which was contained in your committee amendment of 1951.

The intent of the State Department on this waiver was very clearly revealed in a speech made before the Graduate Institute of International Studies at Geneva, Switzerland, in December 1956, by Mr. Eric Wyndham White who was Executive Secretary of the General Agreement on Tariffs and Trade, and a delegate thereto from the United Kingdom. In this speech, published by GATT at Geneva, Switzerland, in March 1957, Mr. White attempts to justify the reluctant granting of the limited section 22 waiver, to the United States, in the following words:

"At the same time, the policy of agricultural import restrictions cuts across this general direction of United States policy and weakens its position in international discussions on these matters. The United States is, therefore, extremely sensitive to the political pressures which bear upon its policy in relation to agricultural imports. In order to take account of these difficulties and in order to put the United States in a position to go to Congress and seek the ratification of the Agreement on the Organization for Trade Cooperation, the contracting parties found it necessary to give the United States a waiver leaving the United States free, so far as GATT is concerned, to take measures affecting agricultural imports which are necessary to give effect to the domestic price support program. * * * It was recognized that the United States could be expected to act with moderation in the use of the waiver * * * the United States administration has consistently striven to limit the area in which restrictions are applied. Moreover, the contracting parties were impressed by the expressed determination of the United States administration to attempt over a long period to adapt its agricultural policy to deal with a situation which is not only an external problem but an increasingly acute internal problem as well."

The above statement clearly reveals that the State Department obtained the GATT waiver only to pacify the Congress and only for a temporary period.

Unless we very clearly amend the law I believe the State Department and the President will forego the temporary waiver which has been "so graciously granted on a limited basis by GATT" (as expressed by Mr. White) and withdraw the balance of the agricultural import restrictions which now exist under section 22.

I submit to you that in fairness to the foreign countries involved, we must amend the Trade Agreements Act to make it abundantly clear to everyone that our domestic farm programs and section 22 must prevail over foreign trade agreements.

I urge your committee to thoroughly study this problem and include in your trade agreements extension bill some amendment which will adequately protect the superiority of section 22 over foreign trade agreements and will give to the Secretary of Agriculture authority he needs to consider total supply in our domestic market places.

I respectfully request that this letter and its enclosures be made a part of your hearing record.

Best personal regards,

WARREN G. MAGNUSON,
United States Senator.

AGRICULTURE AND FOREIGN TRADE—SECTION 22 AND CONGRESS VERSUS GATT AND STATE DEPARTMENT

Statement of Karl D. Loss before the Subcommittee of the Ways and Means Committee on Customs, Tariffs and Reciprocal Trade Agreements

OCTOBER 15, 1956

My name is Karl D. Loos, of Washington, D. C. I appreciate the August 29 invitation of the subcommittee to testify at its recent public hearings on the broad subject of "Agriculture and Foreign Trade" and regret that my previous arrangements would not permit my appearing personally at the hearings. I am submitting this statement for the record in lieu of a personal appearance.

Since many outstanding witnesses have appeared and commented at length on the broader aspects of the various subjects, related to agriculture and foreign trade, listed in the letter of August 29, I believe this statement will be of most service to the committee if it is limited to a discussion of section 22 of the Agricultural Adjustment Act of 1933, as amended, and related subjects. Section 22 is one of several import relief provisions of existing agricultural legislation and foreign trade legislation. These import relief provisions are designed to provide relief to domestic agricultural programs and to American farm producers (and other domestic industries) facing serious competition and threatened injury from excessive imports. Examples of such import relief provisions are—

(1) Section 22 of the Agricultural Adjustment Act of 1933, as amended,

(2) The peril point (secs. 3 and 4 of the Trade Agreements Extension Act of 1951, as amended)

(3) The escape clause (secs. 6 and 7 of the Trade Agreements Extension Act of 1951, as amended),

(4) The Anti-Dumping Act of 1921,

(5) The countervailing duty statute (sec. 303 of the Tariff Act of 1930),

(6) The unfair trade practices in import trade provision (sec. 337) of the Tariff Act of 1930, and

(7) Section 336 (The flexible-cost of production-tariff provision) of the tariff provision) of the Tariff Act of 1930.

The lack of proper and effective administration and enforcement of these import relief provisions in existing law covers a wide field upon which the Ways and Means Committee and the Senate Finance Committee have heard considerable and growing complaints from domestic industries in various foreign trade hearings in recent years. In the interest of conserving record space, I will not attempt to comment on all of them in this statement. However, I hope that the subcommittee's staff may have time to give consideration to the following statements which have been made by me or by my partner, John Breckinridge, at previous public hearings held by the Ways and Means Committee and the Senate Finance Committee in connection with previous consideration of trade agreement or other foreign trade legislation:

Finance Committee hearings, H. R. 1612, Trade Agreements Extension Act of 1951, pages 885–912, 885–914.

Ways and Means Committe hearings, H. R. 4294, Trade Agreements Extension Act of 1953, pages 824–841.

Ways and Means Committee, H. R. 1, Trade Agreements Extension Act of 1955, pages 1964–1978, and 2302–2307.

Finance Committee hearings, H. R. 1, Trade Agreements Extension Act of 1955, pages 1489–1513 and 1514–1527.

Ways and Means Committee hearings, 1956 on H. R. 5550, Organization for Trade Corporation, pages 198–216.

These previous statements before your Committee and the Senate Finance Committee all relate to the procedures and executive administration (or

lack thereof) of these import relief provisions and what I believe to be the failure of the executive branch of government to carry out the intent of Congress as reflected in the legislative history relating to the enactment of, and subsequent amendments to, these import relief provisions.

NO INCONSISTENCY IN AGRICULTURAL AND FOREIGN TRADE LAWS AS ENACTED BY CONGRESS

It has been suggested that there may be a conflict between our agricultural legislation and our foreign trade legislation, and your invitation requested comment on such possible conflict. This suggestion of possible conflict is doubtless founded upon what appears to be a conflict in the goals or objectives of such legislation.

Certain agricultural legislation has as its goal the protection of American farm producers through price support, marketing order, loan, purchase, direct payment to producers and other programs undertaken by the Department of Agriculture designed to maintain American farmers on a price, income and standard of living parity with other American producers—above comparable standards abroad. Certain foreign trade laws have as their goal the expansion of foreign trade—increased imports and increased exports. If both objectives were sought to be attained without any limitations or restrictions whatever, conflict would unquestionably arise. But Congress has not conferred such unlimited authority. The efforts to expand foreign trade are clearly and precisely limited by the requirement that increased imports shall not interfere with American agricultural programs or otherwise injure domestic producers, whether agricultural or industrial. So, the conflict, in my opinion, is not inherent in our laws relating to agriculture and foreign trade. I believe our legislation is entirely consistent. The seeming inconsistency arises solely out of the unwillingness of the executive branch of government, for many years, to fairly and effectively administer the import relief provisions of our foreign trade and agricultural laws in accordance with what seems to me the very clear intent of Congress.

While section 22 is the most important provision so far as agricultural producers, and our agricultural price support, marketing order and other programs are concerned, the American farmers are also vitally interested in the other import relief provisions in existing laws such as the escape-clause, which has a specific legislative provision for prompt emergency action in case of perishable agricultural commodities, the Anti-Dumping Act of 1921 and other enumerated above.

As pointed out above, I do not feel that there is any conflict between our agricultural legislation and our foreign trade legislation which has not been recognized and provided for by the Congress. The possibility of conflict in administering these two sets of laws enacted by Congress arises out of the fact that we have a long standing agricultural program prescribed by Congress which is designed to maintain the American farmers' prices and income on a parity with the very high standards of living achieved in the United States in all branches of industry. This agricultural legislation, most of which is mandatory and administered by the Secretary of Agriculture, tend to, and actually do, maintain American farm prices at above world price levels.

Whenever these agricultural programs are successful, which they usually are, in maintaining American agricultural prices above the world price levels for the same commodities, the program acts as an artificial and unnatural magnet drawing foreign agricultural commodities to the American market and out of their normal channels of trade where they would normally flow to consumers in their own home market or other foreign markets. These agricultural programs naturally tend to draw to the United States market agricultural commodities which we do not need and of which we usually have a surplus.

In its earliest legislation providing for such agricultural programs, the Congress recognized this factor and enacted section 22 of the Agricultural Adjustment Act of 1933 (as amended in 1935) which was carefully designed to limit imports of agricultural commodities when such programs tend to disrupt the normal channels of world trade in agricultural commodities and when such abnormal imports tend to interfere with the successful operation of the American farm programs.

On the other hand, we have a long established legislative foreign trade policy of encouraging the maximum beneficial expansion in foreign trade (both imports and exports), including agricultural commodities, so long as imports do

not cause or threaten serious injury to American producers or interfere with American legislative programs which tend artificially to maintain American prices above the world price levels for similar commodities. To me there seems to be no inconsistency whatsoever in this agricultural legislation and foreign trade legislation. Any seeming inconsistency arises out of the disparity in wage, price and living standards between the United States and some foreign countries. Possible conflicts have been recognized by Congress and provision made therefor in section 22 and other import relief provisions.

So long as the United States continues to have legislation such as minimum wage laws, agricultural or other price support programs (such as subsidies to shipping, inland transportation, mining and industries, etc.) designed to maintain and actually maintaining American wage and price standards above the comparable standards in one or more foreign countries producing the same products, there will, of necessity, be a tendency to artificially magnetize foreign products and services—

(1) toward the United States market and

(2) out of their normal channels or world trade and

(3) away from other world markets and consumers where they are needed at the lower costs and prices at which they can be and are produced abroad.

So long as we have this artificially and legislatively maintained disparity in wage standards, price standards and living standards, we must of necessity have laws which exercise some reasonable, but prompt and effective, control and limitation upon the abnormal flow of goods artificially attracted to the higher-priced United States market. Congress has recognized this necessity for some control over foreign trade and has provided therefor in section 22 and the other import relief provisions referred to above. These import relief provisions, particularly section 22, have been repeatedly amended and strengthened by Congress to make them more effective. As Congress has discovered substantive or procedural defects, it has acted promptly to correct them. The Congressional policy has been made abundantly clear, although frequently over the objection of the executive branch of government, which even now appears reluctant to carry out the directives and mandates of Congress.

The problem is simple and fundamental. So long as we do not have the completely free movement, across national borders, of all the factors of production, such as labor and capital, we just simply cannot have the completely free movement of commodities.

SEEMING CONFLICT ARISES OUT OF REFUSAL OF EXECUTIVE BRANCH TO PROPERLY ADMINISTER IMPORT RELIEF LAWS

Where our legislation gives some discretion to the executive branch of government (the President) as it does in most of our foreign trade legislation (particularly the relief provisions referred to above, with the exception of section 22) this gives occasion for a possible conflict between the administration of our agricultural (and other domestic legislation) and our foreign trade legislation.

Since 1934, the executive branch of government has been strongly opposed to most of the domestic industry import relief provisions written into our agricultural and foreign trade legislation by the Congress. The Congress has adopted them, and their strengthening amendments, over the objection of the administration. Consequently, wherever the President and the executive branch (which means the State Department in the final analysis) has any discretion in administering these import relief provisions, there arises a seeming conflict between the two sets of laws.

However, this conflict is solely one of administration and enforcement rather than a conflict inherent in the legislation itself. This conflict in the administration of these two sets of laws becomes most apparent through and is most publicized by our own State Department which originally opposed and now openly criticizes any effective administration of these laws of Congress, such as section 22 and the escape clause. Upon careful and searching investigation, the subcommittee will find that the State Department and our representatives abroad have actually encouraged foreign countries to criticize any effective administration of these import relief provisions and to claim that they are inconsistent with what they conceive to be our free trade program as announced to foreign countries by the State Department. The State Department has grossly misrepresented to foreign countries our import relief laws and the power of modification it claims to have. Then, once a foreign country has stated a criticism of an import

limitation imposed by the President under one of these laws, or has denounced the law itself or the Congress for enacting it, the State Department repeats the foreign criticism with approval. The State Department uses such induced foreign criticism as propaganda and lobbying material to get the Congress to repeal or modify the law, or to convince the President that he should not invoke the import relief law in accordance with the congressional intent.

The State Department has not properly explained our import relief provisions to foreign countries or the reasons why Congress adopted them. On the contrary, the State Department has misrepresented the intent of Congress in enacting such laws. The section 22 waiver which the State Department recently asked of GATT for the temporary permission to operate our section 22 constitutes a most alarming example of this willingness on the part of the executive branch to belittle and undermine our laws and to use foreign critics to pressure the Congress or the President into modifying or nullifying our import relief laws or to make them subservient to the State Department's executive international agreements, such as GATT. I discussed this section 22 waiver which our State Department improperly sought from GATT, in more detail in my statement before the Ways and Means Committee earlier this year during its hearings on the Organization for Trade Cooperation (OTC)—see pages 198–210 of printed hearings on H. R. 5550.

The clarity and, I believe, complete consistency of our domestic agricultural and foreign trade legislation as written by Congress, with the seeming conflict arising only out of the Executive Branch's unwillingness to properly administer such laws, is very well illustrated by the history of section 22 and the Administration's attempt to discredit, modify or nullify it through executive action and through agreement with foreign nations in GATT—an attempt to discredit and nullify section 22 by improper and unauthorized executive foreign agreements.

LEGISLATIVE HISTORY OF SECTION 22 AND ITS ADMINISTRATION BY THE EXECUTIVE BRANCH

I will attempt to review briefly the legislative history of section 22 as originally enacted and the several clarifying and strengthening amendments thereto. I will also discuss the manner in which the Executive Branch of Government has consistently refused to effectively administer section 22 and the resulting circumvention and nullification of the intent of Congress at every turn.

The reasons for and the purposes and intent of section 22 cannot be better stated than they were by Secretary of Agriculture Benson in his statement before the Ways and Means Committee in April of 1953 in connection with the Committee's consideration of H. R. 4294, the Trade Agreements Extension Act of 1953. The following is quoted from Secretary Benson's statement appearing at pages 726–728 of the printed record of such hearings.

"I recently recommended to the Senate and the House Agricultural Committees that the Reciprocal Trade Agreements Act be extended.

"At the same time I indicated that import controls should be provided for those United States agricultural products which were under price support, and recommended that section 22 of the Agricultural Adjustment Act of 1933 be strengthened so as to make this possible. Let me review for you the conditions that made these recommendations advisable.

"We, in Agriculture have in operation, as a consequence of congressional action, various price-support programs. Many of the commodities included in these price support and marketing-order programs are subject to substantial import competition. In many cases the price-support level is substantially above the world market price, even after allowance for the customs duties assessed against imports. When that happens, imports are attracted to this country from all over the world, including areas whose products would normally be exported in whole or in part to other countries where they may be badly needed. But the price-support level in this country acts like a powerful magnet to draw these commodities out of their normal flow in international trade. When we seek to limit the effect of this influence, we are simply seeking to diminish or avoid the distortion of trade by the stimulus of an artificial influence, such as a price-support program.

"I am sure the Congress would not enact a statute making mandatory the support of the world price of agricultural commodities at 90 percent of American parity. Yet that is what the present mandatory supports mean if we do not have a readily available and effective method of controlling imports of those com-

modities or products whose prices are maintained here above world levels by price support or marketing-order programs. Our price-support activities, already costly, would become much more expensive.

"In recognition of the fact that a stimulation of imports can impose an intolerable burden on a price-support program, the Congress enacted section 22 of the Agricultural Adjustment Act. This section provides for the imposition of import quotas or import fees whenever imports of any agricultural commodity or product thereof render or tend to render ineffective or materially interfere with any price support or marketing order (or certain other) programs. This is permanent legislation.

"Although section 22 was originally enacted in 1935, it was very little used. It calls for investigation by the Tariff Commission after recommendation by the Secretary of Agriculture. Only 5 such investigations have been instituted in the past 17 years. Experience has shown that these investigations are usually long drawn out and this procedure, has proved to be wholly ineffective to meet the problem.

"Because of the failure of the executive branch to use section 22 in such a manner as to achieve the objectives of its enactment, Congress enacted section 104 of the Defense Production Act. This section applies only to certain fats and oils, butter, cheese, and other dairy products, peanuts and rice and rice products.

"It requires that imports of such commodities shall be limited to such quantities as the Secretary of Agriculture finds will not (1) impair or reduce domestic production below current levels or such higher levels as deemed desirable; (2) interfere with orderly domestic storing and marketing; or (3) result in an unnecessary burden or expenditure under a price-support program.

"The control of imports under section 104 is prompt and effective. But it has been subjected to severe criticism on the ground that the procedure is arbitrary in character, and it has been the source of much friction in international relations. It requires the imposition of more drastic import restrictions than would be required simply to protect our price-support programs.

"We feel strongly that Congress intended section 22 to be used, and used effectively whenever necessary to protect price-support and other programs. The statutory history clearly so indicates. Section 22 can be made an effective instrument by improved administrative procedures and by supplementing it with authority, in an emergency, to impose the quotas or import fees within the limits specified by the section, on an interim basis pending decision by the Tariff Commission and action by the President. So strengthened, section 22 would assure the protection of the Department's price-support and other programs against interference or nullification by the distortions in international trade which such programs are likely to create.

"Furthermore, under this procedure the import restrictions which are necessary to protect our price-support programs would be subject to deliberations in which all parties could be heard rather than being imposed arbitrarily as is now the case. This would be in harmony with the policies embodied in the reciprocal trade agreements.

"The Tariff Commission, at the request of the President, began hearings on Monday of this week in an effort to expedite action on agricultural commodities now under price support.

"With the strengthening of section 22 there will be no need for an extension of section 104. The strengthening of section 22 can be accomplished by expedited administrative action and by a separate legislative action. I point this out merely to clarify the fact that extension of the trade agreements for a year, pursuant to the President's request, need not impair our price-support operations nor our protection of them.

"I wish to emphasize that the limitation of imports for commodities under price support is made necessary by our price-support laws."

Similar statements were made by Secretary Benson, earlier in 1953, before both the House and Senate Committees on Agriculture.

The read congressional objective and intent behind the enactment of section 22, and its various amendments, as is so ably stated by Secretary of Agriculture Benson above, have never changed materially since its original enactment on August 24, 1935 (49 Stat. 750), which added section 22 to the original Agricultural Adjustment Act of 1933. However, since the original enactment of section 22 in 1935, the Congress has repeatedly (in 1936, 1940, 1948, 1950, 1951,

and in 1953) broadened and strengthened its substantive and procedural provisions. Each time a loophole of substance or procedure has developed, the Congress has moved promptly to plug it up and make it a more effective limitation upon imports. The Congress has attempted to correct weaknesses as they developed with changing conditions in our agricultural programs and has tried to avoid any circumvention of section 22's provisions through procedural devices employed by the executive branch.

A brief review of the legislative history behind these various strengthening amendments to section 22 will serve to emphasize the clear and mandatory intent of Congress that section 22 should and must be used promptly and effectively to limit imports whenever the Department of Agriculture has in operation any farm program which imports might tend to interfere with. It is important to keep in mind that section 22 has always been mandatory upon the President since its inception in 1935. The pertinent language directs and mandates that:

"If * * * the President finds the existence of such facts, he shall by proclamation impose such fees * * * or such quantitative limitations * * *."

Originally section 22 provided for import protection only for "an adjustment program * * * under this title," referring to a portion of the Agricultural Adjustment Act of 1933. In the first year after its original enactment in 1935, Congress recognized the necessity of broadening the protection of section 22 to other agricultural programs. In an amendment of February 29, 1936 (49 Stat. 1148), the Congress broadened the programs entitled to section 22 protection to include programs operated under the Soil Conservation and Domestic Allotment Act.

On June 3, 1937, Congress reaffirmed this policy and reenacted section 22 as a part of the Agricultural Marketing Agreement Act of 1937 (50 Stat. 246) without any modification.

On January 25, 1940 (54 Stat. 17), section 22 was again broadened and strengthened to provide protection for agricultural programs initiated and administered by the Secretary of Agriculture under section 32 of the Agricultural Adjustment Act of 1933, which section allocates 30 percent of the gross receipts from import duties to assist agricultural producers through purchases, direct payments to producers and other programs designed to expand consumption of agricultural commodities and to encourage and develop exports and other new markets for American agricultural commodities. Up to this point, section 22 had applied only after excessive imports had actually entered the United States and had actually interfered with an agricultural program. However, Congress came to recognize that we should not wait until the imports had actually entered and interfered with a program, but should anticipate such interference and impose section 22 limitations in advance of such interfering imports. In this same 1940 act, to accomplish this purpose, the Congress further amended section 22 by adding the italicized words in the provision now reading "are being or are practically certain to be imported into the United States." Another important amendment of this 1940 act was to authorize in subsection (b), the imposition of additional import fees as well as quotas and to make it clear that the quantitative restriction applied to "entries for consumption" and not to the more indefinite terms "which may be imported" as previously used. Also the base period was changed slightly and the language clarified.

Thus, this 1940 amendment again broadened the agricultural programs intended to be protected by section 22, but the more important provision was that directing that the Secretary of Agriculture and the President should anticipate excessive imports and impose a limitation under section 22 prior to any actual interference with an agricultural program. Both the House and Senate Committees on Agriculture, in explaining the necessity for this amendment to section 22 (contained in H. R. 7171, 76th Cong.), had the following to say (H. Rept. 1166 and S. Rept. 1043):

"One important technical shortcoming of the present provisions of section 22 is that a domestic farm program cannot be protected against foreign importations until such importations have actually arisen and have adversely affected the program. In other words, at least one of the chickens must be stolen before the coop may be locked. This is a wholly anomalous situation because in some instances it is known to a point of overwhelming certainty that a particular farm program will be ineffective in the absence of some protection against increased foreign importations. Consequently, the bill provides that restrictions against foreign importations may be imposed under the provisions of section 22

whenever it appears to be reasonably certain that such importations would increase and affect a farm program adversely."

On the Senate floor, when this provision was debated on January 18, 1940, Senator Connally explained the amendment in the following language:

"* * * the present law provides that quotas and limitations may be established * * * the commodities are actually coming in. We have to wait until they come in before we can make the act. The pending bill merely provides that we do not have to wait until the commodities actually come in, but may invoke the provisions in lines 11 and 12 by inserting in subsection (a), after the word 'being,' the words 'or are practically certain to be.' That is the really substantial part of the bill, and I think there will be no objection to it if the Senators understand it." (86 Congressional Record 465.)

This language was adopted by the Senate and enacted into final law. Here again, it is clear that Congress intended to strengthen and expedite the effective administration of section 22.

Again on July 3, 1948, Congress broadened and further strengthened section 22 by an amendment contained in the Agriculture Act of 1948 (62 Stat. 1247). This Agricultural Act of 1948 broadened and strengthened section 22 by adding the words "any loan, purchase or other program of operation undertaken by the Department of Agriculture" as additional programs entitled to the protection of import limitations under section 22. Thus, after having added new programs entitled to section 22 protection in 1936 and 1940, Congress recognized that all agricultural programs required section 22 protection and amended section 22 to cover any loan or any other program undertaken and operated by the Department of Agriculture. This act of 1948 also amended section 22 by changing the base period specified in subsection (b) of January 1, 1929, to December 31, 1933, to the present phrase which is "during a representative period as determined by the President." Another amendment in 1948 added a further proviso to subsection (b) permitting description of articles by physical qualities, value, use, or upon such other basis as the President shall determine. Of even more importance, this act of 1948 broadened and strengthened section 22 by making it provide for import limitations upon processed products containing agricultural commodities as well as limitations on imports of such agricultural commodities themselves. This was intended to limit imports of products containing agricultural commodities such as wool textiles, cotton textiles, and any other product which constituted an importation of the agricultural commodity in processed form as well as in its natural form. Congress here recognized that a limitation on an agricultural commodity was of little value if it could be circumvented by importing the commodity in processed form, thus losing the American employment in processing as well as the market for the raw material.

These amendments to section 22 were contained in section 3 of the Agricultural Act of 1948 and were explained by the House Committee on Agriculture (H. Rept. No. 1776, April 21, 1948—to accompany H. R. 6248) in the following language:

"Section 3: This section would amend section 22 of the Agricultural Adjustment Act as reenacted by the Agricultural Marketing Agreement Act of 1937. The bill is designed to strengthen price-support programs for American agricultural commodities and to prevent their disruption through excessive imports of foreign commodities.

"The revision of section 22 would carry out recommendations heretofore made by the President to the Congress and more recently requested of this Congress by the Secretary of Agriculture.

"In requesting revision of section 22, the Secretary of Agriculture stated:

"The field within which the authority granted by section 22 may be exercised is so limited that the authority cannot be of much aid to the Department of Agriculture in discharging its price-support obligations in this period of adjustment. If a program of the Department is not undertaken pursuant to 1 of the 3 statutes referred to in section 22, the authority conferred by that section may not be utilized to control the importation of an article the importation of which is materially interfering with the successful operation of the program by the Department.

"The principal changes contemplated by this section of the bill are—

"(1) to extend the authority of section 22 so as to cover not only agricultural commodities but also the products thereof;

"(2) to extend such authority so as to cover articles the imports of which affects any loan, purchase, or other programs or operations undertaken by

the Department of Agriculture (including price support and stabilization operations) with respect to any agricultural commodity or product thereof;

"(3) to make the provisions with respect to quantitative limitation restrictions applicable to the total quantity of an article imported during a representative period as determined by the President, rather than to each country's average annual quantity of the article imported during the period from January 1, 1929, to December 31, 1933, as now provided;

"(4) To authorize the President, by a specific grant of authority, to describe designated articles by physical qualities, value, use, or upon such bases as he determines;

"(5) To clarify the definition with respect to the fees authorized, which are considered duties for some purposes, as now provided, so that they shall not be considered as duties for the purpose of granting any preferential concession under any international obligation of the United States, as, for example, our duty preference arrangements with Cuba;" (At this point in the committee's report reference was made to subsection (f) of section 22, as amended, by the 1948 act. This particular point is discussed later in this statement.)

As pointed out by the House Agriculture Committee in its report quoted above, these broadening and strengthening amendments to section 22 were recommended by the President and by the Secretary of Agriculture as being essential to any effective operative of the agricultural programs provided for and made mandatory by the Congress. Thus, up to this time, all of the amendments to section 22 adopted by the Congress in 1930, 1940 and 1948, were designed to broaden the coverage of Section 22 and strengthen its effective operation as an integral part of the various agricultural programs enacted by Congress and administered by the Department of Agriculture. Each amendment enacted by the Congress was a further recognition that the agricultural programs could not operate effectively without a prompt and effective administration of import limitations under Section 22.

As amended at this point (1948), upon the recommendation of the Secretary of Agriculture and the President, section 22 was an outstanding piece of legislation—

(1) for its clarity of substance and intent,

(2) for its procedural provisions designed to provide prompt and effective administration and enforcement, and

(3) for its completeness in recognizing and providing for any possible conflict between our domestic agricultural legislation and our foreign-trade legislation.

No reasonable man, either American or foreign, could possibly misunderstand its intent, or its mandatory, detailed provisions. It leaves to the President only the ministerial duty of determining the facts with the assistance of the Tariff Commission. Congress has not changed its substance since the 1948 amendments. Yet, we will see how attempts have been made to circumvent and nullify it.

These executive attempts at circumvention have resulted in a constant running battle between Congress and the State Department since 1948, with Congress making procedural amendments to counteract each new State Department effort to undermine and discredit section 22. Each time Congress has made a change, the State Department has come up with some new device by which it has delayed, modified or nullified the intent of Congress. The battle is not yet resolved. The latest State Department device is its persistent claim that article XI of GATT is superior to section 22 and prevents its use unless we ask for and get permission from two-thirds of the 35 foreign countries who are parties to the executive agreement known as GATT. GATT members, after much denunciation—

(1) of the United States,

(2) of section 22 and

(3) of the President for the very few instances in which he has followed the Congressional mandate and imposed a section 22 limitation,

have graciously granted the United States a temporary and conditional waiver for the limitations now in effect under section 22. But, even this graciousness was accompanied by an admonishment that the United States should modify its Agricultural legislation and policy and that efforts should be made to modify section 22 to comply with Article XI of GATT. The State Department has attempted to comply with the directive of GATT by proposing that Congress ratify the superiority of GATT over section 22 in Part III of its proposed OTC. Congress rejected this proposal at the last session of Congress. No doubt the

State Department will propose this again at the next session. I hope the Congress will reject it again and reaffirm the superiority of section 22 which now says in subsection (f) (as amended in 1951):

"(f) No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section."

BACKGROUND AND LEGISLATIVE HISTORY OF SUBSECTION (F)

We have previously discussed the broadening and strengthening amendments to section 22 contained in the Agricultural Act of 1948. Those amendments were made upon the recommendation of the President and the Secretary of Agriculture. An additional amendment, subsection (f), was added at the request of the State Department. As then enacted (before Congress repealed and reversed the policy in 1951, as quoted above) it read as follows:

"(f) No proclamation under this section shall be enforced in contravention of any treaty or other international agreement to which the United States is or hereafter becomes a party."

This subsection (f) which was added to section 22 in 1948 had not been recommended by the President or by the Secretary of Agriculture, which recommendations were mentioned in the House committee report quoted above. It was inserted, late in the bill's consideration, at the request of the State Department. The significance of this subsection (f) apparently was not realized at the time of its proposal. Not even the agricultural organizations recognized the real meaning and intent of this subsection (f) amendment until after the Agricultural Act of 1948 had been enacted into law. This new subsection (f) did not even receive any prominent mention or discussion in the House or Senate debates. It seems that nobody but the State Department was aware of its true significance during the debates of the Act—and the State Department did not make the real intent known until after it was enacted.

However, soon after passage of the Agricultural Act of 1948, the State Department began to argue that section 22 import quotas could not be imposed because they would violate Article XI of GATT which was proclaimed effective by the President as of January 1, 1948. The State Department contended that, in the light of subsection (f), the trade-agreement provision prohibiting the imposition of import quotas or other import restrictions was paramount and that section 22 and all of our agricultural programs were subservient to such trade agreements, past or future. (See State Department letters of April 10, 1950, and June 27, 1950, to the White House and Tariff Commission in connection with section 22 investigation No. 4, at pages 78–80 of Senate hearings on H. R. 1612 in 1951). In other words, the State Department suddenly asserted authority to overrule or modify any farm program by merely agreeing to do so in an international agreement.

This immediately aroused the indignation of many agricultural groups in the United States and their representatives in the Congress. Immediate steps were taken towards repealing said subsection (f) and toward a congressional mandate that the exact reverse must be true; that is, that section 22 and the agricultural programs shall be paramount and any trade agreement heretofore or hereafter entered into must be amended and made subservient to section 22 and the agricultural programs. At the very next opportunity, in the Agricultural Act of 1949, the Senate inserted a section (sec. 415 of H. R. 5345) completely reversing the language, intent and legislative policy of subparagraph (f) to read as follows:

"(f) No international agreement hereafter shall be entered into by the United States, or renewed, extended or allowed to extend beyond its permissible termination date in contravention of this section."

This amendment was adopted by an overwhelming vote in the Senate; however, it was dropped in conference with the House.

The Congress did not accept this defeat. The Senate renewed its effort to reverse the State Department policy embodied in subsection (f) and to further strengthen the administration of Section 22 at the next session of Congress. In 1950, the Commodity Credit Corporation—borrowing power—Act (H. R. 6567, P. L. 579) again contained a comparable amendment approved unanimously by the Senate Agriculture Committee. The Senate Agriculture Committee commented as follows (S. Rept. No. 1375, March 30, 1950):

"The committee amendment to the bill is a complete substitute for section 22 of the Agricultural Adjustment Act of 1933, relative to import fees and quotas

on agricultural commodities. Under the authority of section 22, the President may impose fees or quotas on agricultural imports if it is found that such imports are rendering ineffective or materially interfering with any price-support program or any other program undertaken by the Department of Agriculture with respect to any agricultural commodity or product thereof. Section 22 presently provides that the United States Tariff Commission will investigate the facts of such interference and report to the President; the committee amendment would transfer this function to the Department of Agriculture.

"Section 22 also provides that no proclamation made under it shall be enforced in contravention of any treaty or other international agreement to which the United States is or hereafter becomes a party. The committee amendment to section 22 would provide that no international agreement could be entered into by the United States, or renewed, extended, or allowed to extend beyond its termination date in contravention of section 22. Your committee believes that such protection must be given the farm price support program in this country if it is to accomplish its purpose. Therefore, the amendment is recommended for enactment."

This section was adopted by the Senate without objection. It will be noted from the above comment of the Senate Agriculture Committee, and the unanimous action of the Senate, that the Senate had become so dissatisfied with the manner in which section 22 was being administered and the manner in which the State Department was trying to modify and largely nullify it, that it voted to transfer the administration of section 22 from the President and the Tariff Commission entirely to the Secretary of Agriculture, making it completely mandatory. The Senate did this in order to remove or minimize the influence that the State Department could have over the administration of section 22. Also, this amendment adopted by the Senate, again completely reversed the language, intent, and legislative policy of subsection (f), making it read as follows:

"(f) No international agreement hereafter shall be entered into by the United States, or renewed, extended, or allowed to extend beyond its permissible termination date in contravention of this section."

However, the House conferees again refused to go all the way with the Senate amendment. The Senate amendment was modified in conference in accordance with the following statement from the Conference Report (H. Rept. No. 2260, June 15, 1950, to accompany H. R. 6567):

"The Senate amendment proposed a new section 3 to the House bill which would amend section 22 of the Agricultural Adjustment Act in several respects. The committee of conference recommended that the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment.

"The Senate amendment made no change in the House bill with respect to increasing the borrowing power of the Commodity Credit Corporation from $4,750,000,000 to $6,750,000,000. The Senate amendment proposed several changes to section 22 of the Agricultural Adjustment Act. There was no similar provision in the House bill. The conference amendment would amend section 22 of the Agricultural Adjustment Act in two respects, and the differences between the existing provisions of such section 22 and the conference amendment are indicated below.

"The first change relates to subsection (2) of section 22 of the Agricultural Adjustment Act which provides that whenever the President has reason to believe that any article or articles are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, any program or operation undertaken under the Agricultural Adjustment Act, as amended, or the Soil Conservation and Domestic Allotment Act, as amended, or section 32, Public Law No. 320, 74th Congress, approved August 24, 1935, as amended, or any loan, purchase, or other program or operation undertaken by the Department of Agriculture, or any agency operating under its direction, with respect to any agricultural commodity or product thereof, or to reduce substantially the amount of any product processed in the United States from any agricultural commodity or product thereof, with respect to which any such program or operation is being undertaken, the President shall cause an immediate investigation to be made by the United States Tariff Commission, which shall give precedence to investigations under section 22 to determine such facts. Such investigations shall be made after notice and opportunity for hearing to interested parties, and shall be conducted subject to such regulations as the President shall specify.

"In lieu of the existing provisions of subsection (a) of section 22 which provide that the President shall cause an immediate investigation to be made after he has reason to believe that any article or articles are being or practically certain to be imported which will affect the above mentioned programs, the conference amendment places upon the Secretary of Agriculture the responsibility of notifying the President whenever the Secretary of Agriculture believes or has reason to believe that any article or articles are being or practically certain to be imported into the country so as to render, or tend to render, ineffective or materially interfere with the above-mentioned programs. The conference amendment further provides that, if the President agrees that there is reason for such belief on the part of the Secretary of Agriculture, the President shall cause an immediate investigation to be made by the United States Tariff Commission which under existing law is authorized to make such investigation.

"The second change relates to subsection (f) of section 22 which now provides that no proclamation under section 22 shall be enforced in contravention of any treaty or other international agreement to which the United States is or hereafter becomes a party. In lieu of this provision the conference amendment would provide that no proclamation under section 22 shall be enforced in contravention of any treaty or other international agreement to which the United States is or hereafter becomes a party; but no international agreement or amendment to an existing international agreement shall hereafter be entered into which does not permit the enforcement of such section with respect to the articles and countries to which such agreements on tariffs and trade, as heretofore entered into by the United States, permits such enforcement with respect to the articles and countries to which such general agreement is applicable. Prescription of a lower rate of duty for any article than that prescribed by the general agreement on tariffs and trade shall not, if subject to the escape provisions of such general agreement, be deemed a violation of this subsection. The effect of the conference amendment with respect to such subsection (f) is to make sure that future international agreements or amendments to existing international agreements give effect to the provisions of section 22 within the framework of the general agreement on tariffs and trade."

Thus, while the conferees did not accept all of the Senate amendment to section 22, they did recognize the need for further improving the procedure of section 22 and of preventing any further nullification or restriction of Section 22 by any future trade agreements.

The amendment as approved by the conferees and finally enacted into law specified that the Secretary of Agriculture shall have responsibility for making prompt preliminary investigations to determine when imports might threaten the effective operation of any agricultural program and that he report the same to the President with the view of the President's ordering an immediate and prompt investigation by the Tariff Commission. Such preliminary investigations by the Secretary of Agriculture were already provided for by a Presidential Executive Order, but the Congress felt it necessary to implement the administration of section 22 by making such preliminary investigations and reports to the President by the Secretary of Agriculture mandatory in the law. The conferees and the Congress also recognized, that subsection (f), as it was enacted in 1948, might be construed to authorize the State Department and the President to negotiate future trade agreements that might even further modify and circumscribe the effective operation of section 22 than was the case in GATT. Consequently, they amended subsection (f) to make it clear that no future international agreement could be negotiated with provisions any more restrictive on the effective operation of section 22 than those contained in the General Agreement on Tariffs and Trade, as then written.

To illustrate the extreme dissatisfaction in the Senate with this conference modification of the Senate amendment to section 22, Senator Magnuson of Washington offered a motion on the Senate floor to reject the conference report and require that the Senate conferees insist upon House agreement to the amendment as originally adopted by the Senate. This motion—to reject the conference report—was lost by a tie vote, which was broken in favor of accepting the conference report by the Vice President.

It was thus made apparent that, in spite of the failure of the House conferees to concur fully with the Senate amendment, there was a tremendous sentiment for completely repealing and reversing the policy of said subsection (f) and placing the administration of section 22 entirely in the hands of the Secretary of Agriculture—beyond the reach of the State Department.

Had it not been for firm assurances from the State Department that the above amendment approved by the conferees would fully assure the effective operation of section 22 to protect our domestic agricultural programs, the Senate would not have agreed thereto. For example, the following is quoted from Senator Ellender's statement on the floor of the Senate concerning the intent of the conferees and of the Congress in connection with paragraph (f) and its relation to GATT (Congressional Record of June 26, 1950, p. 9305):

"Mr. ELLENDER. I think I have made that very plain in the debate heretofore, but in order to make it doubly certain, I requested the Office of the Secretary of the State to submit their views on this matter.

"This is as was said in a letter addressed to me by the Department's deputy legal adviser, Jack B. Tate:

"'JUNE 26, 1950.

"'The Honorable ALLEN J. ELLENDER, Sr.,
"'*United States Senate.*

"'DEAR SENATOR ELLENDER: You have asked the opinion of the Department as to what type of measure would be considered sufficient to justify an import quota under the general agreement on tariffs and trade, referred to in the conference report on the proposed amendment to section 22 of the Agricultural Adjustment Act.

"'In the opinion of the State Department, the basic question is one of fact. Import quotas would be permitted under the general agreement on tariffs and trade in any case where there is an effective limitation on domestic marketing or production.'

"That is the point I emphasized previously and on many occasions, particularly last Friday and also here today. The letter continues:

"'A farm marketing quota, if not set so high as to exceed what the farmers would ordinarily market, would, for example, constitute an effective restriction within the meaning of the agreement. Marketing agreements and orders and farm-acreage allotments are other devices which might also constitute effective restrictions.

"'Sincerely yours,

"'JACK B. TATE,
"'*Deputy Legal Adviser.*'

"In other words, there is no doubt that *it is the understanding of the conferees* on the part of the Senate *that farm-marketing quotas constitute effective restrictions on production or marketing.* It is also understood *that marketing agreements and orders* and farm-acreage allotments may *also constitute effective restrictions on marketing* or production, *and that the judgment of the Secretary of Agriculture will be accepted as the authoritative judgment with respect to whether a marketing agreement and order* or farm-acreage allotments *are effective restrictions.* * * *

"I am saying that with this language and with this interpretation of the language which I have just quoted, the conference report makes it *as effective with respect to all of the basic crops and other crops with which it is possible to have effective marketing controls* or acreage allotments, *as would be the case under the Magnuson-Morse amendment to section 22.*" [Emphasis supplied.]

From this statement of Senator Ellender, upon which the Senate primarily relied in adopting the conference modified amendment to paragraph (f), it is quite clear that the Senate and the Congress felt that the conference version would protect section 22 as fully as would have the Magnuson amendment which was originally adopted by the Senate and discussed above. It was made quite apparent that Congress intended that conference version of subsection (f), in conjunction with GATT, should constitute no restriction whatsoever on the use of import quotas under the provisions of section 22 to fully protect marketing agreement and other agricultural programs. It is also significant that Senator Ellender advised the Senate that it was his understanding, and that the Senate could rely thereon, that:

"The judgment of the Secretary of Agriculture will be accepted as the authoritative judgment with respect to whether a marketing agreement and order are effective restrictions."

However, in spite of all of these assurances on the part of the State Department, the executive branch of Government continued to delay and to refuse to effectively administer section 22 (see letters of State Department to White House and Tariff Commission cited above).

As a result of this continued evasion on the part of the State Department, and some other administration officials, the Congress became thoroughly dissatisfied and finally concluded, after 8 years experience with the State Department under their version of subsection (f), that the State Department could not be trusted and that Congress would have to repeal subsection (f) and completely reverse the language, intent and policy thereof so that it would be completely clear and mandatory that section 22 and our agricultural programs should be paramount and controlling over any international agreement that might be contrary or inconsistent therewith in any way.

Consequently, section 8 (b) of the Trade Agreements Extension Act of 1951, amended said subsection (f) so as to completely reverse its language, intent and Congressional policy, to read as follows (which is the language as it exists in section 22 today):

"(f) No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section."

This 1951 amendment to section 22 (f) was approved unanimously by the Senate Finance Committee, over the objection of the State Department, was adopted without objection on the Senate floor, agreed to in the conference committee between the two Houses and finally adopted into law. This amendment is abundantly clear and mandatory in its mandate to the President (and other executive branches) that section 22 shall be paramount and that no trade agreement, heretofore or hereafter entered into, shall be permitted to interfere in any way with the full and effective operation of all its provisions. Since the State Department still avoids and circumvents this very clear congressional directive, a somewhat detailed review of the legislative history and intent behind the adoption of this subsection (f) amendment in 1951 is in order. In view of such legislative history and the quite clear and overwhelming sentiment on the part of the Congress that section 22 shall and must be made to prevail over any trade agreement, it is almost beyond comprehension that the State Department has continued to ignore it and continues to operate on the assumption that GATT is superior to section 22—that the United States must go to GATT and plead for a waiver from two-thirds of the 35 members of GATT in order to secure temporary permission to conditionally continue the import limitations now in effect under section 22. The position and continued hostile attitude of the State Department and the President toward section 22 should be carefully analyzed in light of the legislative history and intent disclosed by this 1951 amendment.

This amendment of subsection (f) was sponsored by Senator Magnuson along with several cosponsors, and was initiated by a Senate Finance Committee amendment to the House bill (H. R. 1612). The Senate committee's report (Rept. No. 299, 82d Cong., 1st sess.) contained the following comment at page 7:

"Your committee adopted an amendment designed to protect the full operation of section 22 of the Agricultural Adjustment Act. If a case should arise where required action under section 22 would conflict with any trade agreement, then the action under section 22 shall prevail."

The bill was reported by the Senate committee on April 27, 1951. It was debated thereafter on May 21–23 and on the latter date passed the Senate.

In his opening statement, Senator George, chairman of the Finance Committee, first referred to the section 22 amendment as follows:

"Another amendment of great importance was the amendment suggested by the Senator from Washington [Mr. Magnuson] which, as the Senate knows, had already twice been adopted by the Senate in connection with other legislation. This amendment is designed to protect the full operation of section 22 of the Agricultural Adjustment Act which now, in subsection (f), contains certain limitations upon the full scope of its use by reason of the provisions of our trade agreements.

* * * * * * *

"Mr. GEORGE. Mr. President, I was discussing section 22, and I will restate a part of what I said because it is most important. Subsection (f) of section 22 contains certain limitations upon the full scope of its use by reason of the provisions of our trade agreements. That is, that was the way the matter stood before the amendment was recommended by the committee. The amendment recommended by the committee reverses this situation, and provides that if a

case should arise where required action under section 22 would conflict with any trade agreement, then the action under section 22 shall prevail. The committee, of course, assumes that where a choice of remedies under section 22 makes it possible, the President will probably choose a course not incompatible with our foreign commitments.

"The Committee believes that these two amendments will provide important safeguards for our agricultural producers and will provide them with all the protection they need, without incurring the marked disadvantages for American agriculture which would have been involved in the House-approved amendment." (97 Congressional Record 5621).

After discussing other amendments, Senator George made the following observation:

"I am happy to advise the Senate that the recommendations of the committee are unanimous. I believe that it is the first time in the history of the trade agreements program that a unanimous report has been rendered on renewal of the Trade Agreements Act by the Committee on Finance" (97 Congressional Record 5621).

Later in the debate, Senator George in answering questions of Senator Wherry as to why certain other provisions of the House bill had been struck out, made the following observations with reference to the amendment of section 22:

"The bill removes subsection (f) from section 22, and leaves section 22 in such a condition that it prevails over the agreement. * * *

"Under section 22 the President would be authorized to establish a quota on imports of an agricultural product. There is nothing to restrain him. It affords the broadest possible protection."

* * * * * * *

"We propose to repeal subsection (f). That repeal would assist the President in establishing quotas. Furthermore, under the escape clause any interested party can invoke the escape clause.

"With those provisions, it would seem that agricultural products the price of which we were supporting could very well be protected. I agree with the Senator that it is illogical to support the price of a farm commodity and at the same time so reduce the protection of that particular price as to permit its undercutting and undermining" (97 Congressional Record 5635).

* * * * * * *

"Mr. GEORGE. That is correct. However, when the Senator complained before about potatoes, the agreement at that time was outstanding, and the President could not act under section 22. No action could be taken under section 22 because of the agreement itself. We have removed that impediment or inhibition. Quotas can be imposed and complete protection can be given to a commodity which is supported by any one of our farm programs.

* * * * * * *

"Section 22 requires the President to act. I believe if the Senator will read section 22 he will see that the fullest power is there given, and that a direct and mandatory requirement is placed upon the President. At least that is my understanding of it" (97 Congressional Record 5636).

When consideration of the bill was resumed the next day, May 22, Senator George returned to the subject of section 22, saying:

"With reference to section 22, I wish to make clear precisely what can and cannot be done under it in view of the amendment striking out subsection (f) of section 22.

"If the fact of interference by imports with a program of price support is shown—in other words, it must first be shown—the President must act under section 22."

After quoting from section 22 and making some additional comments, the debate then proceeded as follows:

"[Senator GEORGE.] It was the opinion of the committee—and I think that this is important, and I wish to make it clear—that if further strengthening of section 22 was desirable, it should be done by way of amendment to that section in the Agricultural Adjustment Act, or in the act in which section 22 was originally inserted. That would not be a proper function of the Finance Committee, and we did not feel that we should undertake to amend that act. We did feel justified in removing the inhibition against the full operation of section 22, notwithstanding there might be in existence a trade agreement which, under the law prior to the amendment removing subsection (f), would have prevented the action by the President.

"I think that is a sound position. Although I shall not put the testimony into the Record now, nevertheless in the record before the committee will be found the testimony of the Federal Farm Bureau's representatives and of representatives of the Cotton Council and of the Farmers Union. In other words, representatives of the farmers themselves appeared before the committee; and although they did not ask for section 8, which was a House amendment, and which was stricken, yet they agreed that it would be hard to administer, and that also the procedure might be more costly than if that amendment were stricken out.

"What they did request was the elimination of subsection (f) of section 22, so that the way would be open to obtain proper relief in the event any of the price support programs are being interfered with by the Trade Agreements Act. That is the status of the matter. Those are substantially the reasons why the committee struck out the provision, but not without first having eliminated the troublesome subsection (f) of section 22.

"With that statement and explanation, I hope the Senator can see at least the position taken by the committee.

"Mr. WHERRY. Yes. Mr. President, I thank the distinguished Senator for his explanation of the committee's attitude regarding amendment 8, on page 11, which apparently was written in on the floor of the House, and which has to do with a provision which I think—at least, from first reading it; and I approach it in that light—is a meritorious one.

"I cannot help but feel that it is most illogical to permit the importation into the United States of agricultural products on concessions so low, while the support prices for the same commodities are so high, that farmers of another country get the benefit of the support prices. We have had situations where surpluses of those supported commodities have been dumped on the open market; and in the case of potatoes we even dumped them into the ocean. It seems to me that is an illogical result.

"Mr. GEORGE. The committee agreed substantially with the view just expressed by the Senator.

"Mr. WHERRY. Yes.

"Mr. GEORGE. However, the committee was of the opinion that the escape-clause provisions now to be inserted into the act, plus the treatment given to section 22, certainly make it entirely open to amend section 22 in any way that the proper Senate committee might wish to amend it.

"Mr. WHERRY. Yes. Mr. President, I thank the distinguished Senator for that observation.

"I say again, for the record, that I am in complete sympathy with the recommendation as to elimination of subsection (f) on page 13. I think its elimination goes a long way in helping the situation.

"Mr. GEORGE. Its elimination is absolutely necessary.

"Mr. WHERRY. Yes, but that does not completely clarify the situation although that provision will correct an abuse which has been practiced at least during the past 2 years by the State Department, by means of which the State Department has had authority even to override what Congress did with reference to the importation of agricultural products, under Section 22.

"Mr. GEORGE. But now, with the amendment strike out subsection (f), that would not be the case.

"Mr. WHERRY. That is true.

"Mr. GEORGE. While the President would not in the first instance be compelled to act, yet if he finds upon the reports made to him by the Tariff Commission that there is cause for action, he must act; and then he has full power to act.

"Mr. WHERRY. Yes" (97 C. R. 5736-5737).

On May 23, Senator Butler, a member of the Finance Committee, discussed the bill. In referring to the amendment of section 22 he said:

"Section 8 (b) is particularly important since it unequivocally gives section 22 of the Agricultural Adjustment Act a priority or a superior status to any provision which may be written or which may have been written into any trade agreement. Section 22 is the section which permits the Secretary of Agriculture to prevent imported farm products from destroying or injuring our domestic agricultural programs.

"Time after time in the past, we have found that farm imports have come into this country and flooded our markets at the very time when we were trying, through domestic measures, to maintain farm prices at a reasonable level. In an address to the Senate on September 9, 1949, I listed product after product in which this situation occurred."

* * * * * * *

"Whenever any attempt was made to correct this situation through section 22 of the Agricultural Adjustment Act, we were told that no quota or additional import fee could be imposed on such imports by the Secretary of Agriculture, because we had entered into trade agreements which prohibited us from protecting our domestic farm prices.

"This bill attempts to correct that situation. It states flatly that no trade agreement shall be applied in a manner inconsistent with section 22 of the Agricultural Adjustment Act. I do not think there can be any misunderstanding about the meaning of this provision. By this section Congress is serving clear notice that it wants our domestic agricultural price structure to be protected.

"Mr. President, the trade-agreements program has already done serious harm to a number of domestic agricultural products. I hope it will be possible to repair this damage either through the escape-clause section or through the section 22 procedure under this bill" (97 C. R. 5803).

Senator Carlson, of Kansas, then asked a question saying: "* * * I ask him if, in his opinion, the pending bill takes care of the competition which we receive from imported agricultural commodities."

The reply was:

"Mr. BUTLER of Nebraska. I will say to the distinguished Senator from Kansas that it is my feeling that, with the adoption of the provision with reference to making section 22 of the Agricultural Adjustment Act the determining factor when such situations arise the bill would bring the relief which is needed to protect American agriculture." (97 C. R. 5803).

Near the conclusion of the Senate debate on the bill, Senator Magnuson questioned Senator George regarding the significance of the phrase "the requirements of" as used in the committee amendment. Senator Magnuson's statement in part and Senator George's reply were as follows:

"[Senator MAGNUSON]. What concerned some of the sponsors of the amendment and myself was the use of the additional words 'the requirements of.' I talked with the Senator from Colorado (Mr. Millikin) informally and he explained that he thought those words might strengthen the amendment. I was wondering whether the Senator from Georgia had the same opinion.

"Mr. GEORGE. Mr. President, I have the same general view. I should like to add that the purpose of inserting this language is that if the President, when certain facts appear, can give an effective remedy without violating an agreement, but within the terms of an agreement, so to speak, he may have that opportunity; but if he cannot, this section will prevail. This section carries out the philosophy of the distinguished Senator from Washington in the two bills which have previously passed the Senate.

"Mr. MAGNUSON. In other words, it is the opinion of the Senator from Georgia and the Senator from Colorado that this language adds an additional situation to the requirements of section 22. It might be that the remedy could be carried out within the terms of the agreement.

"Mr. GEORGE. It might be. But if there were an irreconcilable conflict, the President would be obliged to carry out the section 22 provision so as to grant relief.

"Mr. MAGN[illegible]ON. Mr. President, I shall not press my two amendments.

"Mr. GEORG[illegible] I thank the Senator very much." (97 C. R. 5856–5857).

Senator M[illegible]se raised a similar question just before passage of the bill and he was answered by Senator Millikin (the ranking Republican member of the Finance Committee) in the following colloquy:

"Mr. MORSE. Mr. President, I have a couple of questions which I desire to ask the Senator from Colorado (Mr. Millikin) with whom I discussed the subject matter of the questions.

"In my State, and also in the State of Washington, there is a situation in which the two Senators from Washington as well as the two Senators from Oregon have been much interested. The tree nut industry has been greatly concerned about the reciprocal trade problems which have developed over the years, resulting in many detrimental effects to that industry. We are seeking, in connection with the pending measure, the elimination from section 8, subsection (f), line 5, page 13, of the bill, the following three words: 'with the requirements.'

"It is desired to have the section read:

"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.

"I should like to ask my good friend from Colorado if I am correct in my understanding that the committee is not disposed to strike the words 'with the

requirements,' and if he would be so kind as to make a statement now, for the purpose of legislative history, as to why the committee is not disposed to strike those three words.

"Mr. MILLIKIN. In my opinion, the language was put into the bill deliberately to strengthen rather than to weaken that section. It is intended to make it clear that our domestic programs under section 22 shall prevail and shall override anything inconsistent found in international agreements. That is the purpose of the language, to make it very clear that the requirements or the provisions of section 22, shall prevail and shall override all other inconsistent things to be found in international agreements.

"Mr. MOUSE. Am I correct in my understanding that it is the view of the Senator from Colorado, and, I believe, the view of the committee as a whole, that the striking of these particular three words would weaken the best possible protection of the interest of the nut industry rather than strengthen it?

"Mr. MILLIKIN. That is my opinion, and I believe it is the opinion of the other members of the committee. I should like to ask the distinguished chairman of the committee whether he concurs in my view of the matter?

"Mr. GEORGE. I concur in the Senator's statement." (97 C. R. 5804–5805).

In view of our experience and the reactions of Congress to the position taken by the State Department under the original subsection (f) enacted in 1948 and the complete reversal of that language and intent in this 1951 amendment of subsection (f); and in view of the very clear, mandatory and almost unanimous congressional intent, as expressed in the debates reviewed above, it is very mystifying to me, and I am sure to many others, how the State Department still maintains its position that the provisions of the GATT are still the law of the land and are controlling over section 22 to the extent that the State Department contends that we cannot continue to administer section 22 in the United States without seeking the permission of two-thirds of the 35 foreign countries who are contracting parties of GATT.

Since the adoption of this amendment in 1951, GATT has been renegotiated and we have passed the date when the provisions of GATT would expire or were subject to termination or modification; and yet the State Department has made no effort of any kind to renegotiate GATT to make it conform with the provisions of section 22 or to otherwise conform our international agreements to the congressional mandate of 1951 contained in the amended subsection (f).

For the State Department and the executive branch of Government to continue contending, as it does, that article XI of GATT has any authorization in law or any effectiveness in the United States seems to me to be completely untendable.

In addition to this complete reversal of subsection (f), the Congress, as part of the Trade Agreements Extension Act of 1951 (sec. 8 (a)), also further strengthened the procedural provisions of section 22 in order to assure its more expeditious and more effective administration and enforcement by the executive branch. Section 8 (a) provides as follows:

"SEC. 8. (a) In any case where the Secretary of Agriculture determines and reports to the President and to the Tariff Commission with regard to any agricultural commodity that due to the perishability of the commodity a condition exists requiring emergency treatment, the Tariff Commission shall make an immediate investigation under the provisions of section 22 of the Agricultural Adjustment Act, as amended, or under the provisions of section 7 of this act to determine the facts and make recommendations to the President for such relief under those provisions as may be appropriate. The President may take immediate action, however, without awaiting the recommendations of the Tariff Commission if in his judgment the emergency requires such action. In any case the report and findings of the Tariff Commission and the decision of the President shall be made at the earliest possible date and in any event not more than 25 calendar days after the submission of the case to the Tariff Commission."

This 1951 amendment also was approved unanimously by the Senate Finance Committee, adopted on the Senate floor without objection, approved by the Conference Committee and enacted into law.

However, in spite of requests from several American producers of perishable agricultural commodities, the administration has failed to use this expediting procedure provided by Congress.

As a result of this continuing unwillingness of the executive branch of Government to promptly and effectively administer section 22 in accordance with the intent and mandate of Congress, steps were again taken in 1953 to further strengthen section 22. Senator Magnuson, along with several other cosponsors, introduced a bill in the Senate (S. 983) to further tie down the provisions of

section 22 and transfer its administration completely to the Department of Agriculture, and to make the Department of Agriculture's findings final and conclusive—well beyond the reach of the State Department or any international agreement. The provisions of this bill were later offered on the floor of the Senate as an amendment to the Trade Agreements Extension Act of 1953 (H. R. 5495, Public Law 215). Also, early in 1953, the new Secretary of Agriculture, Ezra T. Benson, had appeared before both the Senate and House Committees on Agriculture and before the House Ways and Means Committee, pointing out that the administration of section 22 had been ineffective and that its procedure should be improved to provide more prompt imposition of import limitations under section 22. Portions of the Secretary's testimony are quoted earlier in this statement.

Secretary of Agriculture Benson promised the Congress that the new administration would more effectively and more promptly administer section 22, without regard to GATT or any international agreement. However, the Secretary said that he felt that further amendment was needed to authorize emergency action by the President in certain cases. Secretary Benson recommended that the following language be added to subsection (b) of section 22.

"In any case where the Secretary of Agriculture determines and reports to the President with regard to any article or articles that a condition exists requiring emergency treatment, the President may take immediate action under this section without awaiting the recommendations of the Tariff Commission, such action to continue in effect pending a report and recommendations of the Tariff Commission and action thereon by the President."

This was the amendment to section 22 which Secretary Benson referred to as being desirable in his testimony before the Ways and Means Committee which I have quoted earlier in this statement. The Secretary's recommended amendment had been introduced in the Senate as a bill by Senator Aiken of Vermont and Senator Holland of Florida (S. 1080).

Primarily because of Secretary Benson's assurances that section 22 would be more promptly and more effectively administered in the future, by the new administration, and as a result of the Secretary's statement that he did not feel it necessary to transfer the administration of section 22 from the President, State Department, and Tariff Commission to the Department of Agriculture, as was proposed in the Magnuson bill (S. 983), and relying on the assurances from Senators George and Millikin (the Democratic and Republican managers of the bill on the Senate floor) that, as amended in section 8 of the committee bill, section 22 would be as completely and promptly effective as if the Magnuson amendment should be adopted; Senator Magnuson and his cosponsors decided to withdraw their proposed amendment to the Trade Agreements Extension Act of 1953 and to accept in lieu thereof the assurances of Secretary Benson and the so-called Cordon amendment which was the same as the amendment recommended by Secretary Benson, as quoted above. This assurance that the bill's section 8 amendments to section 22 would be just as effective as the amendment proposed by Senator Magnuson and his cosponsors, in S. 983, was contained in the following colloquy between Senators George and Magnuson near the conclusion of the Senate debate on H. R. 1:

"[Senator MAGNUSON] What concerned some of the sponsors of the amendment and myself was the use of the additional words 'the requirements of.' I talked with the Senator from Colorado (Mr. Millikin) informally and he explained that he thought those words might strengthen the amendment. I was wondering whether the Senator from Georgia had the same opinion.

"Mr. GEORGE. Mr. President, I have the same general view. I should like to add that the purpose of inserting this language is that if the President, when certain facts appear, can give an effective remedy without violating an agreement, but within the terms of an agreement, so to speak, he may have that opportunity; but if he cannot, this section will prevail. This section carries out the philosophy of the distinguished Senator from Washington in the two bills which have previously passed the Senate.

"Mr. MAGNUSON. In other words, it is the opinion of the Senator from Georgia and the Senator from Colorado that this language adds an additional situation to the requirements of section 22. It might be that the remedy could be carried out within the terms of the agreement.

"Mr. GEORGE. It might be. But if there were an irreconcilable conflict, the President would be obliged to carry out the section 22 provision so as to grant relief.

"Mr. MAGNUSON. Mr. President, I shall not press my two amendments.
"Mr. GEORGE. I thank the Senator very much" (97 C. R. 5856-5857).

This Cordon amendment was adopted on the Senate floor, accepted in conference with the House, and finally enacted into law. The conference report explained the Cordon amendment in the following language (H. Rept. No. 1080, August 1, 1953):

"Amendment No. 2: This amendment, which adds a new section 104 to the bill, amends section 22 (b) of the Agricultural Adjustment Act to provide that in a case where the Secretary of Agriculture determines and reports to the President with regard to any article or articles that a condition exists requiring emergency treatment, the President may take immediate action under section 22 of the Agricultural Adjustment Act, as amended, without awaiting the recommendations of the Tariff Commission, such action to continue in effect pending the report and recommendations of the Tariff Commission and action thereon by the President. The House recedes with a clerical change."

STATE DEPARTMENT AND PRESIDENT CONTINUE TO CIRCUMVENT AND NULLIFY SECTION 22 AND THE VERY CLEAR CONGRESSIONAL MANDATE

However, in spite of the fact that this amendment recommended by Secretary of Agriculture Benson was adopted by Congress in 1953 (which has never been used); in spite of the assurances of better administration by Secretary Benson; and in spite of the assurances of Senators George and Millikin; the State Department has continued to circumvent section 22 and the congressional intent.

Many of us deeply interested in the agricultural programs and section 22, which is an integral part of all agricultural programs, relying on Secretary Benson's assurance of more effective and more expeditious administration of section 22, felt that the new administration would now recognize the congressional intent and very clear mandate that section 22 be made paramount and completely controlling over GATT or any other executive agreement. We felt that the State Department would be forced to renegotiate article XI of GATT and any other international agreement, which might be inconsistent with section 22, to make them conform to the full force and effect, and prompt, effective administration, of section 22. However, this has not developed up to this time. It appears that the State Department has again prevailed in its completely unfounded contention that the executive branch of Government should consider the GATT (and other executive international agreements) to be paramount and controlling over section 22.

I feel quite confident that Secretary of Agriculture Benson, and the new administration in the Department of Agriculture, have made every reasonable effort to make good on the Secretary's 1953 promises to Congress and to make section 22 effective and to prevail upon the President to so modify GATT and other international agreements as to make them consistent with the full effectiveness of section 22. However, apparently the Secretary of Agriculture and his Department have been unable to prevail in this position. Secretary Benson has been unable to fulfill his promises to Congress made during 1953 when an amendment to section 22 and the Trade Agreements Extension Act of 1953 was being considered. It is now abundantly apparent that the Congress must take still further steps to effectively isolate the State Department and GATT from any influence over section 22. Perhaps a thorough investigation by this subcommittee into the State Department and White House staff handling of section 22 matters is in order.

This failure of the new administration to make good on the promises of Secretary of Agriculture Benson may have resulted from the findings and recommendations of the so-called Randall Commission which was provided for and set up by the Trade Agreements Extension Act of 1958 for the purpose of studying and reporting to the President on our foreign economic policy, including the negotiation of trade agreements such as GATT and their administration. The Randall Commission report states that there is an inconsistency between our agricultural legislation (and our agricultural programs administered by the Secretary of Agriculture thereunder) and the continuing freer trade policy which it recommended that the President follow and seek enabling legislation for. However, I was very pleased to note that the distinguished chairman of the Ways and Means Committee, who was a member of the Randall Commission (and is ex-officio member of this subcommittee) dissented from this finding

and recommendation of the Randall Commission. Chairman Cooper submitted a separate dissenting statement with respect to our agricultural legislation and programs and section 22. Chairman Cooper's dissenting statement reads as follows:

"It is with regret that I am unable to agree with some of the views expressed by a majority of the members of the Commission with respect to agriculture.

"I have on every occasion possible exerted my best efforts to improve the role of agricultural products in foreign trade. I fully realize the importance of export markets to agriculture; however, I have also supported and voted for our domestic agricultural programs when they were under consideration by the Congress.

"I realize that there are instances where our domestic agricultural programs and our foreign trade policy may seem to be in conflict. But it would appear that proper adjustments could be made and that we should not arbitrarily subordinate the role of our domestic agricultural programs to our foreign economic policy."

"Our domestic agricultural programs are a reality, and have been, of course, enacted by the Congress and improved as the years have gone by. These programs are a major factor in the stabilization of farm prices and incomes, and are about the only protection which the farmers have from the hazards of economic conditions which are impossible to anticipate and which can mean the difference between financial failure and financial success. It is my belief that our domestic agricultural programs and our foreign trade policy both are very important to our agricultural interests.

"In any event, our domestic agricultural programs should not be subordinated to our foreign trade policy without full and careful consideration, with proper emphasis being given to our domestic farm economy and its impact on our overall national economy."

Senator Millikin, of Colorado, also dissented, in the following language:

"As I see it, the report injects itself gratuitously into the highly controversial subject of our domestic programs in aid of agriculture.

"Neither the Congress nor the executive department in the absence of this section of the report, would be hampered by lack of ample facts or opinions in reviewing the subject during this session of the Congress.

"If the point is that we must tear up or radically remake our domestic agricultural programs and shape them to fit the various proposals in this section of the report, including those opposing support price programs, then I cannot go along.

"I believe it is not sufficiently emphasized that our domestic agriculture and our Government's domestic policies regarding it should not be subordinated to foreign policy.

"As I see it, we must first of all safeguard our agriculture at home and the doing of this requires alert attention to any adverse effects abroad. We should try to avoid such adverse effects by measures always short of jeopardizing a sound agricultural position at home. The decision having been made, our foreign policies should be shaped to accommodate the results."

Congressmen Reed, of New York, Simpson, of Pennsylvania, and Battle, of Alabama, Senators Hickenlooper, of Iowa, and George, of Georgia, also dissented from this recommendation of the Randall Commission, as did Mr. Macdonald. Actually a majority of 8 out of the 15 members failed to approve this portion of the Randall Commission report. These gentlemen particularly dissented from the recommendation that our agricultural legislation and programs should be modified to bring them into conformity with GATT and the recommended freer foreign trade policy. However, apparently this freer trade recommendation of the Randall Commission, along with the free trade advice of the State Department, has prevailed upon the President, over what I believe to be the contrary policy of the Department of Agriculture and recommendations of Secretary Benson that the foreign trade policy should be subordinate to our American farm program and section 22.

The views of the Randall Commission (the Chairman, Mr. Clarence Randall, having subsequently been made foreign economic adviser to the President) and the free trade views of the State Department apparently have prevailed with the President and have become the policy of the current administration. In any event, that appears to be the result.

When H. R. 1 was submitted to Congress (which I understand was drafted by Mr. Randall, with the assistance of the Randall Commission staff and the State Department) it contained language which would have substantially broadened

the delegation of power to the President, along the lines recommended by the Randall Commission. H. R. 1, as introduced in the House, would have authorized the President and State Department to negotiate foreign trade agreements inconsistent with and overruling any existing legislation of the United States, such as agricultural legislation, section 22, the escape clause and any other import relief provisions of existing law (see my statement before Ways and Means Committee, hearings on H. R. 1, pp. 2302 2307 of printed hearings).

However, primarily because of complaints from agricultural groups that such new and broader delegating language in H. R. 1 would endanger any effective operation of section 22 and our agricultural programs; the Congress deleted this new language and again made it entirely clear that they intended section 22 to be paramount and superior to any international trade agreement which had been negotiated in the past or any agreement that might be negotiated in the future under the authority contained in H. R. 1, the Trade Agreements Extension Act of 1955.

The new language in H. R. 1, as introduced in and passed by the House, delegating broader authority to the President, was deleted by the Senate upon recommendation of the Finance Committee which explained the reasons for deleting the new language as follows (S. Rept. No. 232, April 28, 1955):

"H. R. 1 as passed by the House was amended by the committee as follows:

"(1) The House bill specified certain types of general provisions which may be included in a trade agreement and provided that no such provision should be given effect in a manner inconsistent with existing legislation of the United States. The committee deleted this language. The committee also changed the bill so as to make clear that its enactment should 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 (GATT). These changes bring the language of the bill into conformity with that used in prior extensions, and do not change the authority contained in existing law. They were made in the light of the fact that there is a pending House bill (H. R. 5550) authorizing United States membership in the Organization for Trade Cooperation which would administer the General Agreement on Tariffs and Trade."

The bill as thus modified in the Senate was accepted by the House conferees and was enacted into law.

As further evidence of the fact that the free trade recommendations of the Randall commission and a continuing refusal to fully and effectively administer section 22 has become the policy of the current President and State Department, the current administration has renegotiated the provisions of GATT (renegotiated GATT signed by the United States March 21, 1955) without making any change in article XI thereof, which is inconsistent with section 22 and our agricultural programs, and without any other evidence of any intent to bring our foreign trade agreements into conformity with section 22 as enacted and amended by Congress along with the Congressional mandate in the 1951 subparagraph (f) which still directs that:

"(f) No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section."

Still further confirmation of the policy and intention of this administration to continue ignoring Congress and its section 22 (f) mandate is evidenced by the fact that the State Department and the President felt it necessary to plead for and secure from the contracting parties to GATT a temporary waiver permitting them to continue even those few limitations which were already in effect under section 22.

Also, the Organization for Trade Cooperation (OTC) proposed by the administration at the last session of Congress (H. R. 5550), if adopted by Congress, would have legislatively ratified the superiority of GATT over section 22 and would have ratified and set up the procedure which the United States would have to follow in the future to seek temporary waivers from OTC and GATT (part III of OTC) in order to continue any effective administration of section 22. Congress failed to act on OTC although the bill was reported favorably (by a vote of 17 to 7) by the Ways and Means Committee. Here again I believe I am correct in saying that the OTC–GATT prohibition of import quotas and virtual nullification of section 22 was one of the principal reasons for the refusal of the Congress to even consider OTC.

It is thus apparent that, right up to the present time, the Congress has continued to repeatedly and constantly reaffirm its intention that secion 22 should

and must be made fully effective regardless of any international agreement that might be inconsistent therewith. Yet, amusingly, the current administration has equally reaffirmed its intention to continue to ignore section 22 and to continue its efforts to get Congress, by hook or crook, to make the trade agreements legislation and GATT superior to and controlling over our agricultural legislation and section 22.

While Congress rejected OTC at the last session of Congress it may be presented again at the next session. It is my hope that Congress will again reject OTC and again reaffirm its mandate that section 22 must be fully and effectively administered and enforced by the executive branch of government.

The foregoing review of the legislative history of section 22 can leave no doubts as to the intent of Congress. The present language of that section is as clear and explicit as any language that could be written in expressing that intent. All that is needed is a willing acceptance by the executive departments of the congressional mandate.

If foreign countries could receive a sympathetic and complete explanation of section 22 and the true intent of Congress as expressed in it, they would understand that an effective section 22 is an essential and integral part of our domestic agricultural legislation and programs and that the Congress means what it says in section 22. If the State Department could be induced to discontinue making statements and negotiating international agreements which are unauthorized and inconsistent with section 22, all foreign countries would soon recognize the justness and fairness of section 22 as written by Congress and would fully respect the reasons and need therefor, thus ending further friction on this point.

It is the misunderstanding of the reasons for section 22, induced and fostered by the State Department, that causes discord among and complaints from foreign countries.

Since section 22 is already mandatory upon the President, and is so clear in its policy, intent and detail of procedural execution, further amendments could only restate the intent already clearly expressed. We suggest that this committee might well endeavor to ascertain why the executive departments have not more effectively carried out the congressional will in the administration of section 22; why the State Department has not renegotiated GATT to conform to section 22—as the law has really required them to do since 1951; and why a conscientious effort to properly explain the reasons and intent of Congress to all foreign countries, without any apologies therefor, has not been made.

STATEMENT SUBMITTED BY SENATOR WARREN G. MAGNUSON, AS REFERRED TO ON PAGE 792 OF TYPEWRITTEN TRANSCRIPT OF THE REPORT ON HEARINGS ON S. 2826

Mr. Chairman, this statement is made up of two separate but related parts. Part I is an explanation of the amendment submitted by Senator Morse and me to S. 2826, together with a copy of the amendment itself. Part II consists of comments on the testimony presented to your committee by the State Department's witness, Mr. Winthrop Brown.

Part I. Explanation and Copy of Amendment

On February 20, I introduced a bill, S. 3088, which is identical in wording and intent to the Magnuson-Morse amendment to S. 2826. At time of introduction, I inserted in the Congressional Record a statement explaining the meaning and purpose of that bill, which, like the proposal we are now discussing, is an amendment to section 22 of the Agricultural Adjustment Act. To avoid duplication and possible confusion, I would like inserted at this point my February 20 statement on S. 3088, followed by a copy of the amendment itself. That statement can be found on page 2001 of the Congressional Record and reads as follows:

Part II. Comments Prompted by Testimony of State Department Witness, Mr. Winthrop Brown

Up to the time the chairman closed the hearings on S. 2826, Mr. Winthrop Brown was the only witness from the executive branch who appeared to testify on my proposal to amend section 22 of the AAA. Mr. Brown confined his testimony entirely to subsection (f). We must assume therefore, that the State Department and other executive agencies involved have no particular objection to subsections (a), (b), (c), (d), and (e) of the amendment. These

are what I call the streamlining provisions of the amendment. These are the provisions which transfer section 22's investigative responsibility from the Tariff Commission to the Secretary of Agriculture. This transfer is made in recognition of the fact that the Secretary of Agriculture must deal with "total supply," in devising and administering a price support or similar program and, therefore, should have authority over imports paralleling his authority over domestic production.

This year's 10 million bushels of imported potatoes, added to our 402 million bushels of domestic production, constitute the "total supply" the Secretary must deal with.

Since there is no apparent controversy over subsections (a), (b), (c), (d), and (e), I will confine my remarks as did the State Department witnesses to subsection (f). Before going further let me refresh your memory as to the wording of that section in the existing law and compare it to the wording contained in my proposed amendment.

Subsection (f) of section 22, as added by the 80th Congress, now reads: "No proclamation under this section shall be enforced in contravention of any treaty or other international agreement to which the United States is, or hereafter becomes, a party."

I propose to reverse the emphasis. In the Magnuson-Morse amendment subsection (f) reads: "No international agreement hereafter shall be entered into by the United States, or renewed, extended, or allowed to extend beyond its permissible termination date in contravention of this section."

The State Department witness alleges three major objections to the amendment. I will list them and then discuss each in turn. Here they are: (1) The Magnuson amendment would require renegotiation of all existing trade agreements. (2) The Magnuson amendment authorizes the President unilaterally to impose fees or quotas "without limitation." (3) The Magnuson amendment is unnecessary because existing agreements already authorize imposition of fees or quotas when circumstances warrant it.

The contention that my amendment would require renegotiation of all existing trade agreements is misleading to say the least, and in those cases where renegotiation might be necesary the situation demands corrective action anyway. Let me elucidate.

This amendment does not change in any way the basic principle of section 22 of AAA, as it has stood in full force and effect during the entire period in which all of our foreign trade agreements under the so-called Reciprocal Trade Agreements Act have been negotiated. Trade agreements are executive agreements. In such agreements, our negotiators could not legally bargain away the limited protection to farm programs contained in this Federal statute. Any provisions in trade agreements contrary to section 22, therefore, must necessarily have been null and void from their inception.

Paragraph (f) of section 22 was adopted in 1948. It could not have created, therefore, any obligation to the signatories of any trade agreement, that did not already exist. The only trade agreements negotiated, signed and placed in effect, since existing subsection (f) was enacted, are those with Haiti and Greece. All others were subject to section 22, minus subsection (f). There certainly should be no objection on the part of the State Department to correcting past errors—to retreat from a position they had no right to take in the first place.

In the event renegotiation of any existing agreement becomes necessary, only that part of the agreement will have to be changed, which is inconsistent with the provisions of section 22. If the State Department's claims—which I will comment upon in the next few paragraphs—are true, any change in existing agreements required to bring them into conformity with section 22 will be very slight.

The State Department witness contended before this committee that there presently exists no legal bar to action by the executive branch in connection with imports along lines proposed in my amendment. Specifically the witness said, beginning on page 758, and I quote: "* * * the general agreement says that we would be free to impose a quota on agricultural imports in any case where we are supporting the price of the commodity in this country and where we are restricting our own domestic production.

"The basis for that agreement, of course, is that where there is a limitation on the domestic market, it is fair and right and proper that there should also be a limitation on the import.

"There is also a provision in the agreement which would permit imposition of quota at any time, where we are disposing of our agricultural surplus, say, in the free lunch or under a stamp plan or any way of that kind as we, I think, are doing with some potatoes today; and, finally, in the agreement it would permit the imposition of a quota or fee at any time when the imports of the commodity were causing or threatening any serious injury to the domestic production."

Here, in effect, the witness was paraphrasing article XI of the General Agreement on Tariffs and Trade. As he frankly admits, article XI authorizes restrictions upon imports through various devices when a country has programs in effect, the purpose of which is—and here I quote:

"* * * to restrict the quantities of the like domestic product permitted to be marketed or produced or, if there is no substantial domestic production of the like product, of a domestic product for which the imported product can be directly substituted; or

"to remove a temporary surplus of the like domestic product, or, if there is no substantial domestic production of the like product, of a domestic product for which the imported products can be directly substituted, by making the surplus available to certain groups of domestic consumers free of charge or at prices below current market level."

These two paragraphs are from article XI of the General Agreement on Trade and Tariffs, paragraph 2, subsection (c).

Translated into section 22 language these paragraphs say: A signatory to GATT may take unilateral action to restrict agricultural imports, if such imports jeopardize farm programs such as a marketing agreement, direct price support, school lunch purchases to reduce surplus, acreage allotments, etc.

Since provisions in this master agreement so nearly conform to what I am seeking to accomplish in this amendment, I see no reason why the State Department should object, unless they intend to completely vitiate section 22 in the next round of negotiations. This is precisely what could be done unless subsection (f) is repealed or changed. As a matter of fact, the greatest danger of loss of the limited protection of section 22 lies in what could be written into new, extended, or renegotiated agreements.

To conclude this phase of my discussion, if the protection of section 22 has been bargained away in trade agreements, either section 22 should be repealed, or the agreement should be corrected. If, however, existing agreements conform to section 22, then there should be no objection to my amendment on legal or moral grounds. In either event, the amendment is a restatement of congressional intent and should be adopted as a practical means of instructing our trade agreement negotiators as to the boundary within which they must bargain.

There remains one final allegation of the State Department witness which deserves comment. On page 764 of the record of hearings, the witness stated, and I quote: "The Magnuson amendment says in effect that we cannot by international agreement accept any limitation whatever on the type of quota or fee or the conditions under which we would impose a quota or fee under section 22 * * *."

Obviously this allegation is a distortion of the facts. Let me read from the amendment itself. I quote that part of section (b) of our section 22 amendment which prescribes the limits the President must observe should he decide to impose a fee or quota on a particular import. The pertinent provisions read: "* * * if he concurs therewith the President shall by proclamation impose such fees not in excess of 50 percent ad valorem, or such quantitative limitations * * * as he finds * * * to be necessary * * * provided that no proclamation under this section shall impose any limitation on the total quantity of any article or articles which may be entered or withdrawn from warehouse, for consumption which reduces such permissive total quantity to proportionately less than 50 percent of the total quantity of such article, or articles, which was entered, or withdrawn from warehouse, for consumption during a representative period, as determined by the Secretary of Agriculture."

Here, in the language of the amendment itself, is the unequivocal denial of the State Department's allegation that the Magnuson amendment would require or permit imposition of fees or quotas "without limitation."

There are further safeguards against indiscriminate use of section 22: first, the Secretary of Agriculture must investigate the particular import in question. He must find it is injurious to the enforcement of a farm program, such as price supports or marketing agreements, and he must so certify to the President. Second, if the President concurs with the facts presented to him by the Secretary of Agriculture, he shall take action within the limits I have just recited. He

may not impose a fee in excess of 50 percent ad valorem or a quota that would reduce imports below 50 percent of the quantity brought into the country during a representative period.

As a matter of fact, the severest criticism that can justifiably be leveled against my amendment is that the additional protection it will afford farm programs and the producers participating therein is entirely too limited.

In summary, Mr. Chairman, I have pointed out that the three chief objections to this amendment made by the State Department witness, Mr. Winthrop Brown, are ill-founded. The amendment would not require renegotiations of all existing trade agreements. Existing trade agreements do conform closely to the provisions of my amendment and the amendment would not permit the President to impose import fees or quotas "without limitation."

This amendment to section 22, offered by Senator Morse and myself, should be adopted by the Congress, as a restatement of its intent and as a specific instruction to the State Department and our trade agreement negotiators, as to the boundary within which they must bargain.

May I remind the committee, by way of postscript, that the National Grange, National Council of Farmer Cooperatives, American Farm Bureau Federation, National Milk Producers Federation, National Renderers Association, National Apple Institute, Northwest Horticultural Council, Florida Fruit and Vegetable Growers Association, California Fruit Growers Exchange, California Almond Growers Exchange, California Walnut Growers Exchange, Northwest Nut Growers, American Hop Growers Association, National Cherry Institute, and other farm groups have testified or communicated with this Committee in support of my amendment.

STATEMENT OF WARREN G. MAGNUSON, UNITED STATES SENATOR, IN SUPPORT OF SECTION 3, OF H. R. 6567, COMMODITY CREDIT CORPORATION BILL

Mr. President: Section 3 of H. R. 6567 is in reality a complete substitute for section 22 of the Agriculture Adjustment Act of 1938 as that section was amended by the 80th Congress. Section 3 of the pending bill conforms generally to two amendments I sponsored in the first session of this Congress—amendments to the so-called Anderson farm bill which was before us last October. Most Senators will recall the debate on those amendments—debate culminating in Senate approval of the more important one by a vote of 44 to 28.

Section 22 of the AAA Act was designed by its authors to provide a means of protecting domestic agricultural producers—under certain circumstances—from ruinous imports. Its machinery may be invoked through a proclamation by the President when imports threaten the efficacy of a marketing agreement, price support, school lunch, export subsidy, or similar farm program.

Section 22 has never been the effective safety valve its authors intended it to be. To the best of my knowledge, only two sets of domestic farm producers have ever been successful in obtaining the protection section 22 is designed to extend. The two sets of producers are growers of cotton and wheat. I have been unable to find a single case in which producers of a perishable agricultural commodity have been successful in obtaining action under section 22. Recent experience with imports dictates that the Congress either make section 22 an effective tool or write it off the books. There is no point in having a safety valve that doesn't work.

Since I argued this case here on the floor of the Senate in October, a number of incidents have occurred which demonstrate the soundness of the course of action I then implored the Congress to take. Let me cite two of them.

Recently, newspapers throughout the country carried the story of Canadian potato imports. A shipload of Canadian potatoes reached New Orleans at a landed cost 10 to 15 cents per 100 pounds less than the support price on Maine potatoes in Maine. This is a repetition of what happened during the 1948 marketing season. During that period over 10,000,000 bushels of potatoes were imported from Canada at a time when this Nation was spending $200,000,000 to support the price to domestic growers.

I draw the second example from the experience of the apple industry. During fiscal 1949, apple imports amounted to about $5,750,000. During the identical period we exported apples valued at about $5,500,000. From the same crop we purchased for school lunches domestically grown apples valued at $4,500,000. It is obvious that school-lunch purchases from section 32 funds almost equalled the dollar value of apples imported.

I don't necessarily conclude that section 22 should have been invoked to stop these imports although many members of the industry urged such action. I do contend, however, that the machinery to deal with the situation should be sufficiently streamlined to permit such action should the facts so dictate.

This bill proposes a streamlining of section 22. Here's what the amendment does: First, it transfers the fact-finding function from the Tariff Commission to the Secretary of Agriculture; thus, the Secretary will conduct the investigation of the effect of imports upon agricultural programs such as marketing agreements, school-lunch purchases, price supports, export subsidies, and similar programs. Second, he will recommend action to the President based on the facts developed through his investigation. Third, if the President concurs in the Secretary's recommendations, he may by proclamation impose either an import fee up to 50 percent ad valorem, or place a limitation on the quality that can be imported of the commodity involved.

Under this amendment, the Tariff Commission would be relieved of the responsibilities now assigned to it under section 22. The line of action would run from the Secretary of Agriculture to the President, instead of as is now the case, the Secretary of Agriculture to the President—the President to the Tariff Commission back to the President.

In my judgment this is justified. The Secretary of Agriculture is charged by Congress with heavy responsibilities in connection with domestic production—when price support or similar programs are in effect. He should have parallel authority over imports, because domestic production plus imports constitutes the over-all supply with which the Secretary has to deal.

The President may or may not concur in the Secretary's recommendations, but at least under section 22, as I propose to amend it, the Secretary's recommendations would stem from his parallel responsibility on the one hand over domestic production, and on the other over imports of commodities which threaten to render ineffective a marketing agreement, price support, or similar farm program.

In addition, the bill amends subsection (f) of section 22. That subsection was added by the 80th Congress. It reads:

"No proclamation under this section shall be enforced in contravention of any treaty or other international agreement to which the United States is or hereafter becomes a party."

I propose that the emphasis be reversed. The section should be amended to read:

"No international agreement hereafter shall be entered into by the United States or renewed, extended, or allowed to extend beyond its permissible termination date in contravention of this section."

The issue here is simple, namely, shall the protection to agricultural producers and programs provided in section 22 be abbrogated by an international treaty or trade agreement? Or to put it another way, shall the United States Government on the one hand say to the farmers of this country, "We have provided a safety valve against excessive and injurious imports through the medium of section 22," but on the other say to our foreign friends, "The trade agreement we are negotiating with you nullifies the effect of section 22."

In conclusion, section 22 should be streamlined if it is to be the effective tool its authors intended it to be. Subsection (f) should be reworded or repealed if we are to be honest with the farmers and taxpayers of this country and with our foreign friends.

May I add a postscript—by way of general comment—on my attitude toward trade agreements as they relate to the bill I have just introduced. I have consistently supported trade-agreement legislation. I see no inconsistency between that action and what I am here proposing.

The United States of America has been catapulted into world leadership. Reciprocal trade agreements are one of the media through which we seek to exercise that leadership. We do this because we believe freer trade will promote a higher standard of living in the world and will make a substantial contribution to world peace.

Reciprocal trade agreements cannot be negotiated under utopian circumstances. We can be idealists and still recognize the hard facts as they exist. If we were starting our trade-agreement policy with a completely clean slate we could remove all barriers, thereby adding immeasurably to the effectiveness of our world leadership and at the same time avoid wrecking irreparable damage upon specific industries and, therefore, upon selected groups of our own citizens.

Unfortunately trade practices and national policies over the last 200 years have encouraged patriotic, industrious American citizens to invest their energies and finances in enterprises to which the death knell would be sounded if a system of complete free trade were instituted world-wide, as of tomorrow morning. The practicalities of the situation demand, therefore, that the Congress and the executive branch, particularly the State Department, approach reciprocal trade in the light of things as they are.

I am not too much disturbed by the repeated accusations on the part of industry that the concessions we grant—as the leading Nation of the world—exceed in value the concessions we receive. Such is the price we pay for world leadership. I am extremely disturbed, however, over the apparent failure on the part of our negotiators to balance the international good we expect will emanate from a concession granted by us; against the immediate or prospective damage such concessions will wreak upon a minor segment of our population.

I do not want to see the United States play the role of Uncle Shylock. Neither do I want to see our reciprocal trade program jeopardized by those ardent free traders who fail to recognize that steps toward our ultimate objective must be taken in a world where existing industrial and economic patterns demand consideration.

CAST IRON SOIL PIPE FOUNDATION,
Los Angeles, Calif., June 24, 1958.

Senator HARRY F. BYRD,
Senate Office Building,
Washington, D. C.

MY DEAR SENATOR BYRD: Reference is made to our previous correspondence regarding H. R. 12591 which is now under consideration by the Senate of the United States.

In our previous correspondence we made certain suggestions regarding possible amendments to section 7, commonly called the escape clause. Some of these have been included in the bill as passed by the House; however, we feel there should be additional amendments made which would establish a yardstick by which the Tariff Commission could properly measure cases that come before it on the matter of the entry of foreign products and the effect on American industry.

We feel that the following statement which was made by the Chamber of Commerce of the United States in their policy declarations adopted at the annual meeting in April of this year, expresses in general the principles which should be included not only in the escape clause, but in the act itself:

"International trade policy: Constructive and realistic tariff policy. The United States should pursue a constructive and realistic tariff policy which will encourage the flow of international trade and at the same time afford reasonable protection for American industry and agriculture against destructive or unfair competition from abroad.

"There should be general agreement among nations on acceptable and binding definitions of unfair practices in international trade. Laws of the United States against such practices by other nations should be improved and effectively applied.

"While some flexibility is desirable, stability of tariff policy is essential to the healthy expansion of United States foreign trade and should be an integral part of United States foreign economic policy (1958)."

We would like to emphasize the point made by the United States chamber in that general agreement among nations on acceptable and binding definitions of unfair practices in international trade, that these should be spelled out in the Reciprocal Trade Agreements Act and that the laws of the United States, and primarily section 7 of the act, should be improved and effectively applied, and to be fully applied and effective, there must be given to the Tariff Commission by the Congress a reasonable yardstick which we believe should be that they should be instructed to take into consideration the average cost of production of the products in the marketing area in which the products are being imported into the United States, in considering a petition under section 7.

The basic act itself should contain adequate protection of American industry against cartels which exist in most foreign countries and which set the prices of the various materials that are exported to every country in the world, and should further protect the American industry from subsidition of certain foreign

industries by foreign governments which of course result in their being able to ship into this country products at a much lower price than we can possibly manufacture them under our democratic system.

Therefore, it is our opinion that the bill should include specifically that any subsidy by any foreign country of the manufacture of any product should be automatically offset by a corresponding increase in the tariff rate on that product when it is brought into the United States.

We believe that the bill should provide for the extension of the Trade Agreements Act for a period not to exceed 2 years and that during that 2-year period a joint committee of the House and Senate should be created for the purpose of making a thorough study of our entire tariff structure. It is our opinion that tariffs based on arbitrary percentages are archaic and not realistic and any tariff to be effective must bear a relationship to the cost of production of the product in the United States.

We sincerely appreciate your careful consideration of these suggestions before the bill is passed by the Senate.

Very truly yours,

HAROLD A. SLANE.

MODERN PACKAGINGS,
Dallas, Tex., July 3, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: As owner of a company in Dallas called Modern Packagings and as president of Harold Cole Associates, I am sending you herewith a statement of my support of H. R. 12591 as passed by the House. I urge that the Senate pass this bill without any crippling amendments.

I respectfully request the consideration of your committee of my views and that they be included as a part of the record of your hearings.

Respectfully submitted.

HAROLD G. COLE.

STATEMENT IN SUPPORT OF EXTENSION OF THE TRADE AGREEMENTS ACT, H. R. 12591, BY HAROLD G. COLE, DALLAS, TEX.

As the proprietor of a business that does a large wholesale trade in the State of Texas itself, as well as selling nationally to retailers all over the country, I should like to submit respectfully my views to the Senate on why I feel extension of the Trade Agreements Act is vital to both phases of my business.

Not unnaturally, I speak with pride as a Texan as I do coming from a State whose 267,399 square miles rank it first in the Nation in terms of land area.

Our population of 7,711,194 make us the sixth largest State in the Nation in terms of population. Of this population the 1950 census tells us 2,758,433 persons in the State of Texas were employed and that the wholesale and retail group was the most significant in terms of most employed, accounting for 21.3 percent of total employment.

Before I discuss these trades which directly concern my business, I would like to comment that agriculture is next in importance in our State accounting for 16 percent of the total employment. While I claim no particular expertness in this particular field, I think it is too little recognized by most of us that were it not for exports our American agriculture would literally smother in its own production. Sixty million acres of cropland—1 out of every 5—produce for export. The large flow of agriculture produce for customers overseas not only provides additional farm income but also eases the issue of supplies on the domestic market and strengthens prices.

The Department of Agriculture has recently revealed that in the 1956–57 marketing year, we exported $1,115 million worth of cotton, $958 million worth of wheat, over $350 million worth of feed grains, $231 million worth of dairy products, $190 million worth of rice, $111 million worth of tallow and greases, and $46 million worth of poultry including poultry products. Each of these is important to farmers of Texas.

In terms of the 1956–57 national export total, the proportionate share of exports in Texas was $329 million worth of cotton—over one-fourth of all cotton exports in the Nation. The proportionate share of wheat equaled $32 million; sorghum grains totaling $23 million represented over 65 percent of the national export

total of sorghum grains. The proportionate share of livestock and livestock products was $23 million, while the proportionate share of imports was $21 million.

Well over 700,000 persons in Texas work on farms, and their need for supporting services creates employment for thousands more. The impact of exports of farm products is broadly reflected throughout the area.

Now these farmers can only afford to pay customers of mine as long as we keep them prosperous. This we cannot do by restricting their foreign markets including any device which is calculated to cut off the availability of dollars abroad for the purchase of their produce.

We must never forget that trade is a two-way street and we want our customers in the free world to be able to have the foreign exchange to trade with us.

For example, let us consider one of our pivotal allies in the Far East, Japan, where I am going next month on a buying trip. This country, half the size of Texas, bought $105,330,000 worth of exports from our State in 1957.

When I go there this summer they will be very glad to see me (especially if the Senate has already acted favorably on the trade bill) because I am going there to buy, not to sell. This should make my fellow Texans who have a stake in the export market happy also.

Obviously, though I yield to no man in my aim to please, this is not the purpose of my trip. I have to go there to buy materials to enable me to carry on my business which is dependent upon constantly finding new and inexpensive ingredients to present to the American housewife with ever new and changing ingredients of a smartly styled gift package. I own and operate Modern Packagings as well as Harold G. Cole Associates, Inc.

Each year I must style and produce a new package (complete with paper, ribbon, and tie-on) for the major American gift-giving occasions such as Christmas, Valentine's Day, Easter, Mother's Day, Father's Day, plus birthdays, weddings, graduations, and children's special packages.

My main concern is about 50 exclusive accounts in nonoverlapping trading areas all over this country (for example, my Washington account in my trade name of Martha Page, is Frank R. Jelleff, Inc.). Because I style high-fashion special-occasion gift packaging for the home market, such typically American themes as Mother's Day are naturally highlights. Such a program doesn't lend itself to export. But in getting new ideas and gimmicks for tie-ons I frequently look for foreign goods. This is natural for two reasons: First, new styling, and second, cheaper tie-ons. These tie-ons are items which are put on the package, usually affixed to the ribbon itself as one might a candy cane at Christmas, a flower in the spring, a rattle on a baby present, etc.

Because of the nature of the end use of these items, they are small physically and small in their market potential. They are developed for a market that is purposely limited by my accounts for the sake of exclusivity. Hence the items are mostly handmade. Now, handmade things are expensive in the United States, and I know many of our handcraft industry people want protection; but, my feeling is let us make only the things in which we excel and can do cheaper than anyone else. Then we can trade the things in which we use our labor and capital more efficiently for things that don't lend themselves to our typical type of man production (nor to the high wages that go with it). Why should we think of weakening, now, an integral instrument of this Nation's foreign policy to render aid to domestic industry just because it is faced with a normally recurring business problem of technological change? Our prosperity has been built on competitive advantage and the best interests of more than 95 percent of our people are served thereby.

Obviously, from what I have said about my business, you can see that making novelties for special packaging papers, ribbons, and tie-ons do not lend themselves to economies of size. Part of their value to my customers is their snob appeal, if you will, of being exclusive and new. Therefore, my business to that extent depends on so-called foreign cheap labor. But is that bad for others in the United States? Let us turn from the microeconomics of modern packagings balance sheet in which I am principally concerned to the microeconomics of the national income account that Lord Keyes knew was so important for future of the free world. How does my plea for faith in Ricardo's doctrine of comparative advantage shape up in our GNP which Mr Hauge and Mr. Keyserling agree is very important?

My job is to get together the fanciest paper, the best ribbon, and the most attractive tie-ons at the cheapest price for my customers. I have to sell the

"sizzle" not the steak—and the American woman is choosey with her dollars. If I find some articles on my travels abroad to incorporate in my packaging ideas I should be allowed to bring them back with a minimum amount of customs redtape and duty. I know the styling the consumer wants and my business success depends on satisfying it. What I must put together for my customers is the newest, smartest, most interesting, and best quality combination package obtainable at the lowest possible price regardless of what nation in the free world produces the materials.

More important certainly than all these little facets of my own business is that my travels in various countries have reinforced my feeling that our allies must trade with us in order to continue expanding their own economy. Ask anyone who has been abroad recently.

On balance, what is the effect of freer international trade on American jobs, wages, and the standard of living? The evidence of the past and all the indicators of future economic expansion point unmistakably to the conclusion that freer trade creates new and better jobs, protects the American standard of living, and advances the sound growth of the American economy. Comparing the impressive accomplishments of increased two-way trade with the isolated evidence on the other side shows a clear net gain for the Nation. More and better jobs and higher standards of living—those have always been the major objectives of the trade-agreements program. They have also been its results.

To restrict the country's foreign trade amounts to constricting its economic growth. These are the facts of life in this day and age as never before.

There are a few cases in which foreign industry, operating with cheaper labor rates, has managed to overcome all of its other obstacles and has undersold its American competitors in this country. In the few cases in which this has happened it has represented a real triumph of man over his environment. For the foreign competitor of the American manufacturer starts with close to three strikes against him. In many foreign industries cheap labor is not cheap at all, once the manufacturer calculates his cost on a unit basis; it costs very little by the hour but often costs a great deal by the piece. In every industry, the European pays 2 or 3 times more for his capital than his American competitor. In every industry, his power costs are higher; in most industries, his raw material costs are higher, too. Almost universally, his volume is so small that he cannot begin to equal the economies of his American competitor. And, finally he often operates in an environment saddled with the restrictions of cartels, where the incentive to cut costs is weak and diffused. His wage costs are multiplied by fringe benefits, too. With these handicaps, the European who can match our prices in our market is a man to be admired. In any case, for every instance where a foreign industry can match our price here, there are many that cannot; and some of the latter involve products requiring a high labor content both in the United States and in other countries. Scores of American industries, big and little, have been able to outsell Europeans in their own home territory and in third country markets. Our export figures are a conclusive demonstration of the position of American industry abroad. The fact that foreign countries have had to ration the dollars which their citizens use to buy our goods only emphasizes how much our goods are demanded and bought. Perhaps the most emotionally appealing plea for protection from imports is that domestic producers face unfair competition because of the low wage rates which prevail abroad. Numerous groups are anxious to perpetuate this sophistry. This has happened before, all of the tattered tramps who have low grade ore mines and obsolete plants see their chance and move in with the suggestion that if Congress will just raise the tariffs high enough they can put people to work in their industries. This is true, but it is only a half-truth when it comes to solving the unemployment problem; because to the extent that we shut out foreign goods and materials in order to reopen these mines and factories, we reduce the possibility of imports. Stated more simply, for every man that is put back to work in industries that have fallen behind in world competition, we put a man out of a job in those industries that have stood up in world trade.

In the production of a particular product, high wages in general indicate relatively low per-unit labor costs. Furthermore, if relative wage rates do indicate competitive advantage or disadvantage, how can one explain the fact that United States products sold abroad (often in cheap labor countries), are often produced by our highest wage rate industries?

But even labor costs (wages in relation to productivity) cannot determine competitive advantage or disadvantage in world trade. Labor costs are only one part of the total cost of producing any product. In fact, many of the so-called cheap-labor countries are relatively capital poor and incur high capital costs in the production of many goods. India, for example, is a relatively capital-poor country and potentially labor rich, but productivity per worker is, in general, still low so that the production of many goods involves both relatively high labor costs and high capital costs.

We pay high wages because we are more productive. Better working conditions and social protection contribute to higher productivity, not the contrary. Adam Smith's theory of comparative advantage was that some countries better suited to production of some goods or services should persue that superiority, instead of trying to compete in goods or services better produced elsewhere. Our protectionist friends now assert that he did not mean to include cases like ours where the competition universally (except in Venezuela) pays lower wages.

But this is ridiculous. Smith and Ricardo would assert what we know, that if you exclude all manufactured goods from the United States except those made with our scale of wages and our labor standards there would be no international trade for the United States except with Venezuela, and perhaps Canada.

Even if one geographic area enjoys low total costs in producing many or all products, it is to the advantage of the particular country to produce only those goods in which its cost advantages are relatively greatest and import those products in which its cost advantage is relatively the least; that is, to import the products which the less efficient country produces most efficiently. For instance, we would agree that if the best lawyer in a particular town were also the best secretary, it would still be of advantage to him to concentrate on, or specialize in being a lawyer and hire (import) a less efficient secretary.

But to get back to my business again, my job is to get together the fanciest paper, the best ribbon, and the most attractive tie-ons at the cheapest price for my customers. I have to sell the "sizzle" not the steak—and the American woman is choosey with her dollars. If I find some articles on my travels abroad to incorporate in my packaging ideas I should be allowed to bring them back with a minimum amount of custom redtape and duty. I know the styling the consumer wants and my business success depends on satisfying it. What I must put together for my customers is the newest, smartest, most interesting, and best quality combination package obtainable at the lowest possible price regardless of what nation in the free world produces the materials.

More important certainly than all these little facets of my own business is that my travels in various countries have reinforced my feeling that our allies must trade with us in order to continue expanding their own economy. Ask anyone who has been abroad recently. Vice President Nixon, pleading for a far-sighted foreign economic policy, said not long ago: "The strongest Military Establishment in the world will not save our freedom if we fail to meet the threat which the Communists present in the nonmilitary areas." Mr. Nixon last month found these threats very real indeed. It should be a real warning to us that even the once placid lands of our good neighbors have become the battle-ground for the cold trade war which Mr. Khrushchev has been promising so frequently this spring.

I can't help feeling that my welcome in Japan, an an American businessman, will be very cool indeed if the Senate cripples our Trade Agreements Act.

Of much more universal significance is the fact that the renewal of the Trade Agreements Act at this time derives added importance from the fact that the renewal act would govern United States action during the formative years of the Common Market and the free-trade area in Europe and perhaps similar arrangements in other parts of the world; e. g., Central America. It is all important that these arrangements do not become mere islands of free trade among the participants, both that they also continue to reduce their tariff against the outside world. Agreements for reciprocal tariff reductions will be the most effective way in which this can be brought about.

Unless we are prepared to abandon the leadership position which the United State occupies in the free world, we must harmonize our national interests and our international interests. The economic strength of the free world as a whole rests to a much higher degree on international trade than does the economic strength of the Communist world. There are countries such as England and the Netherlands which have to import one-third to one-half of what they produce.

The United States share in the total volume of internation trade is about one-quarter of the total. To the extent that positive policies govern United States imports and exports the cohesion and solidarity of the free trading world will gain in strength from year to year. The Soviet bloc will, no doubt, redouble its efforts to increase its share of international trade which presently is less than one-tenth of the total. But in this field the United States can maintain its decisive lead in future, only through the enactment of more and more liberal trade policies as the years go on.

I respectfully submit that the prompt passage of H. R. 12591 is a very necessary step in this most important direction.

TEXTILE SECTION,
NEW YORK BOARD OF TRADE, INC.,
New York, N. Y., July 1, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SIR: We appreciate the opportunity to express to you and the members of your committee our views respecting H. R. 12591—the Trade Agreements Extension Act of 1958. The textile section of the New York Board of Trade is comprised of members representing textile and fiber companies employing the majority of the textile workers in the United States.

It is the feeling of our members that while H. R. 12591 does provide some additional safeguards which are not contained in the current law, the bill should be further improved for all concerned. In the case of the textile industry, as in others, tariff rates have already been decreased substantially during the course of years by tariff agreements. In the meantime, changes in economic conditions, both at home and abroad have been so extensive that even if we were to revert to the higher protective rates originally established by the Tariff Act of 1930, most segments of the textile industry would still be left in a hopeless competitive condition. In other words, tariffs alone, even the higher rates of 1930 would be far from sufficient to close the price gap between domestic and foreign textiles in the highly competitive United States market. Therefore, even if the industry were to obtain relief in given branches by way of escape-clause action, the maximum increase permitted by law, would, in some cases, not be sufficient to answer the problem. The Japanese voluntary quota system has, of course temporarily helped to stem the rising tide of textile imports. We feel however, that the application of quotas should be a matter of right rather than the grace of a foreign government. The Tariff Commission is already authorized to recommend quotas when it appears desirable and such quotas are applied in the case of some agricultural products. It is suggested that specific provisions for quotas under such conditions could be made by way of a further amendment under escape-clause provisions.

Provision is already made in the Tariff Act for Tariff Commission investigations to determine peril points prior to the negotiations of a trade agreement. This body is the one established, qualified, and equipped to make investigations not only for escape-clause action, dumping cases, and the determination of peril points per se. However, there is no provision in the Trade Agreements Act which requires the State Department or other Government agency or branch to be bound in any way by the Tariff Commission recommendations or findings.

It is suggested that if the Tariff Commission peril-point findings or recommendations were made mandatory there would be fewer applications on the part of domestic industry for escape-clause relief since injury or threat would be prevented rather than cured by withdrawing concessions to which we had committed ourselves and paying off at the expense of some other branch of industry by new concessions which have to be negotiated.

We have been told that tariff concessions would be applied on a gradual and selective protective basis. In this connection, we would like to suggest that provision be made to require that each item which it is proposed to negotiate be specifically listed by name when the preliminary list for proposed negotiations is published. This would in no way place a further restriction on the number of items which could be negotiated and would eliminate the problem which results from the present practice of negotiating whole groups or classes and basket clauses contained in many tariff paragraphs. Such

negotiations are hardly selective especially since that procedure has the effect of granting concessions on many items which are not even known by name to the negotiators, or to the country asking for a particular concession in a particular area. In many instances negotiation of groups, classes, or basket clauses results in concessions being granted on items which are not yet out of the laboratory or in commercial production. It places a mortgage on the future of things which have not yet been invented.

With respect to the question of gradual reduction and the amount of reductions which might be made, we feel that the proposed 5-year extension is not justified at this time. In his testimony before your committee, the Secretary of State, Mr. Dulles, gave as one of the main reason for a 5-year extension his opinion that the next 5 years will be the critical formative years of the European Economic Community. Mr. Dulles developed this point at some length. It seems to us, that the very reasons he gave for considering this critical 5-year period are far more persuasive to a shorter period or no extension at all at this time. Actually, the formation and development of the Common Market with its complicated schedule of tariff adjustments both internal and external which will be taking place concurrently between now and 1970 or later creates a situation in which Common Market tariff rates and other trade restrictions are going to be in such a state of flux that it is difficult to see how any of the six countries involved can make any commitments respecting tariff for a period of years to come. All have committed themselves to the elimination of tariffs among themselves and to the application of a common, external tariff which is to be established on the basis of an arithmetical average, not of the tariff rates per se in each country, but on the amount of tariff collected on each commodity in each country over a fixed period of time with adjustments for differences in the application of rates, and formula for computing values. This, necessarily, means that the external tariffs involve both increases and decreases over three period stages. In the meantime, negotiations continue for the establishment of a free-trade area which will involve practically all of Western Europe. In fact it concerns all of the nations comprising the Organization of European Economic Cooperation. If and when it is implemented it will, of course, have a further effect on the tariff arrangements of the respective countries beginning with the complete elimination of internal tariffs among the member nations. In the face of such fluid conditions, it seems to us that any present extension of the Trade Agreements Act should certainly not exceed 2 years (with corresponding reduction of the authority to reduce rates). At the end of that time we might hope to have a better idea of what the future developments are likely to be throughout the world.

We would like to express our thanks to the committee and for their attention to this matter, we respectfully request that our remarks and requests be made a part of the printed record.

Respectfully submitted.

RALPH J. BACHENHEIMER,
Chairman, Textile Section.

(Whereupon, at 12:55 a. m. the committee was adjourned, to reconvene at 9:45 a. m., Thursday, July 3, 1958.

TRADE AGREEMENTS ACT EXTENSION

THURSDAY, JULY 3, 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 Robert S. Kerr, presiding. (The chairman was absent due to illness in his immediate family.)

Present: Senators Kerr (presiding), Long, Douglas, Carlson and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

Senator KERR. Gentlemen of the committee, I am very happy to present to you the Governor of Oklahoma, who has made a distinguished record in many regards.

I believe that his administration has succeeded not only in developing the finest road program that Oklahoma has ever had, but one that would be viewed with admiration by any State in the Union.

He has long been a leader in the field of conservation of natural resources. He has been chairman of the Interstate Oil Compact Commission, and he is here to give us his views on the Reciprocal Trade Agreements Act.

Governor, we are glad to have you.

STATEMENT OF HON. RAYMOND GARY, GOVERNOR OF THE STATE OF OKLAHOMA

Governor GARY. Thank you, Senator Kerr and members of the committee.

I cannot keep from saying in the very beginning that, Senator Kerr, the present reason we have been able to build so many roads in Oklahoma is because of the very liberal road policy that you folks have made available to the various States of the Union, so we are going to have to give the Congress of the United States credit for our big stepped-up road program.

We are glad to have the money and glad to use it for the purpose for which it was granted us.

Senator CARLSON. Mr. Chairman, may we state that we in Kansas appreciate the fact of the Governor of Oklahoma making a connecting link of the turnpike into Kansas of Oklahoma.

Governor GARY. Thank you. That farmer got tired of those cars landing in his wheat field up there and we got tired of reading about it.

Senator KERR. That is an example of the amity and comity between the States of Oklahoma and Kansas.

Senator CARLSON. It has always been that way.

Senator KERR. Yes, sir, and the Governor of Oklahoma just did not aim to see a great road that the people of Kansas had built end up by not being an avenue, not only of ingress and egress for Kansas but also for Oklahoma.

Senator CARLSON. Yes, sir.

Governor GARY. And, Senator, I might tell you that we have, by the end of this year, we will have all of the new connecting link between Kansas, the toll road of Kansas-Oklahoma State line, and to a point 45 miles south of Oklahoma City under construction under contract.

Senator CARLSON. It is greatly appreciated by our people, I will say that very sincerely.

Governor GARY. We are using the road program to help us to do that.

Gentlemen, it was in 1955 that I appeared here in support of the Neely amendment to the Reciprocal Trade Act. And then in March of this year I appeared before the House Ways and Means Committee and testified in support of restrictive legislation action to be incorporated into the reciprocal trade bill.

Now I am here again, it will probably be my last time to appear before a congressional committee as Governor of Oklahoma because this is my last year as Governor, but I am here today to make virtually the same statement that I made in 1955.

In 1955, I pointed out to the committee the need, in my opinion, for restrictive legislation on the imports of oil, lead and zinc, and the reason I picked oil, lead, and zinc are some of the major mineral resources of Oklahoma, and now I have a prepared statement that I would like to submit for the record, and then just pick out 2 or 3 points in the statement that I want to talk about briefly, and then yield for any questions that the committee might desire to ask me.

So I will——

Senator LONG. Governor, permit me to make this statement before you go further. I did not vote for the Neely amendment in 1955 and I regret to say that everything you predicted happened.

Governor GARY. I regret that is true, too.

I know that in 1955, I feel there was not near as much support for the program that I recommended in 1955 to this committee that there is today, at least I hope there is more support today and as you have already admitted that you are a newly converted supporter to it——

Senator LONG. The facts just proved you were right, Governor, and the facts just forced me to change.

Governor GARY. Thank you.

Senator LONG. You were right and I was wrong as far as I am concerned.

Governor GARY. I understand you removed the amendment yesterday to the bill.

Senator LONG. Yes, sir.

Governor GARY. I want to congratulate you for that and we are supporting you in that and I might say in addition to what I have already said, that I am here in support of the Long amendment today.

Now, I know that it is necessary for a great Nation like the United States to carry on trade between other nations of the world.

We are not here in opposition to carrying on trade, reciprocal trade with other nations of the world. But I have always thought of

trade between nations as on this kind of a policy, that we import into this country those raw materials and manufactured goods that we have a shortage of, and that we export those manufactured goods and raw materials that we have a surplus of.

But under the present policy that we have had in operation for a number of years, we find ourselves importing into this Nation huge quantities of oil, lead and zinc, and manufactured goods of various kinds that we are producing surpluses of here in this country, and to me that is not a sound trade policy.

I feel that if we continue on this sort of a program, that we are actually going to do two things: No. 1, we are going to weaken our own national defense program, and, No. 2, we are going to bring about an economic depression in this country that will be far worse than any we have ever had in the past.

Now, the reason, I think, that it will weaken our national security program is because Senator Kerr here, he is in the oil business, he knows much more about this than I do, but the reason that people go out and explore for oil, drill wildcat wells, is because they want to produce oil to sell, and whenever you destroy that incentive or desire to go out and explore for oil, then naturally we are going to find ourselves with less known oil reserves, and as our reserves, known reserves, decline, why that cannot keep from having a very unsatisfactory effect upon our national defense program.

Whenever we gradually increase the imports of foreign oil in competition with oil that is produced in this Nation, replacing oil that is produced in this Nation, forcing the States of Oklahoma, Texas, Louisiana, and other oil-producing States to reduce their per well allowance, to reduce their daily outputs of oil, even though we have it for sale, why then we are destroying the incentive or desire to go out and explore for new oil reserves, and we are weakening our own national defense program.

Not only that, but we are undermining the very philosophy or free enterprise system that has made this country great. We are using American taxpayers' dollars, we are using American enterprise capital to go out and explore for oil reserves and aid and assist in the construction of roads and manufacturing concerns to go into competition with our own industries here in this Nation, and we find ourselves in this sort of a program gradually destroying the very thing that has made this Nation great, and gradually destroying or defeating the very thing that we are trying to prove to the rest of the world, that the free enterprise system is greater than the Communist system.

I really feel that that is exactly what is happening. I can point to Oklahoma as an example.

Now we have read about, and fought the effect of the recession in this Nation and certain parts of the Nation.

I have never admitted that in Oklahoma we have or have had an overall recession but I have said that we have had a recession in certain areas of Oklahoma; certain sections, certain counties of Oklahoma, and we can charge the recession that we have had in Oklahoma directly to our foreign policies on imports of foreign oil, lead and zinc and glass.

In Oklahoma, where we have had a recession, sections of the State where there has been a recession, where there has been a great increase

in unemployment, are the heavy oil-producing counties, or the heavy lead-producing sections where the heavy-smelting plants are located.

In fact, I heard over the radio yesterday that another lead and zinc operation was going to close down in the States of Oklahoma, Kansas, and Missouri. We already have thousands of people unemployed in the lead and zinc industry and our unemployment in the oil products and refining in Oklahoma has increased during the past year and a half.

In fact it has been on the gradual increase for the last 3 or 4 years, and so what recession we have in Oklahoma we can charge it directly to this Nation's foreign policies on trade.

Now, I do not want to take up a lot of time of the committee. You have heard all of this. I have filed my statement. I want to close my statement by making a very brief recommendation.

When I was here before the Ways and Means Committee of the House, I submitted practically the same thing that I am submitting here, and you are familiar with it.

I told you in that report, I told the House, that Oklahoma had approximately 70,000 people directly employed in the oil industry, and in addition to that, we have additional thousands of people who are employed in allied industries.

In fact, about one-fourth of our population, about one-third of our population, the entire population depends either directly or indirectly upon the oil industry, and of course that is the main reason I am here.

But in addition to that——

Senator LONG. Governor, you say a third of your people depend directly or indirectly upon the oil industry for jobs. Are you including filling stations?

Governor GARY. Yes, about 825,000 people are involved in that.

I am including the manufacturing concerns that manufacture tanks and oil supplies.

I am not sure whether filling-station employees would be in that; I don't believe they would be on second thought, because we try to include those who are employed in Oklahoma because we are an oil-producing State. Of course as you say, you have filling stations in every State whether producing oil or not.

When I said 825,000 that includes the members of the families.

Senator LONG. Yes, sir.

Governor GARY. That is about a third of our entire population. In fact, oil and agriculture are the two main supports for our general economy in Oklahoma.

Then in addition to that, of course this reduction in the production of oil has had a very damaging effect upon our tax structure of the State of Oklahoma.

About 34 percent of the taxes that accrue to the benefit of the State treasury of Oklahoma to support the government is from the oil industry, and this year we have had about an $8 million loss, according to our tax commission, as a direct result of the reduction in the oil allowables in Oklahoma.

Well an $8 million loss, of course, would not be very much to some of the larger States, the more heavily populated States of the Nation, but to Oklahoma it is a big loss in revenue.

It means we are going to have to tighten up on our operation program or we will eventually have to levy new taxes to substitute

for the loss in revenue as a result of the curtailment in the production of oil.

So, in closing, I would like to make these brief recommendations——

Senator LONG. I might just interject there.

It also means in Louisiana we have to try to find somewhere funds to pay schoolteachers. We just do not have enough revenue at present because the oil industry pays the taxes that largely support our schools.

Governor GARY. Well, I might say in Oklahoma, the gross production tax on oil goes to the general revenue fund and about 70 percent of the general revenue funds money in the State of Oklahoma goes for the education program.

So when we have an $8 million loss in taxes from the oil industry that accrues to the general revenue fund, that means about $5,400,000 less available for the education program, of which the major part of it goes for common schools and then of course next to that is the higher institutions of learning.

But I want to point that out, even though that is important, that is not the most important reason why we want this reciprocal trade amendment approved.

We want it approved principally because it will strengthen the overall economy of Oklahoma and the Nation, and we, of course, first of all, we feel that it will strengthen our national security program.

So my No. 1 recommendation is that Congress place mandatory control over the importation of crude oil and petroleum products.

The reason that I recommend that Congress do it is that we feel that the program, voluntary program, has not been a success and we feel it will not be a success because in effect, under this voluntary program we are turning it over to the oil industry to decide what to do.

Well, the oil industry is going to decide in its own favor, and to decide in its own favor they are going to increase, in my opinion, as the years go by, the imports of oil, foreign oil, because the experts tell me that domestic crude oil will cost a refinery about a dollar per barrel more than a barrel of imported crude and if that is so, and I do not have any reason to question it, why these major companies that are importing are going to continue to import as long as they can and as much as they can unless we have restrictive legislation, and I believe it is going to require restrictive legislation.

No. 2, it is our recommendation that the imports be restricted to 16.6 percent of the national demand or the 1954 relationship. It is my understanding that is virtually what your bill calls for, Senator Long. I have not had an opportunity to have seen a copy of it.

Senator LONG. Yes. I introduced an amendment yesterday which would limit the importation of foreign oil to the rates that existed between imports and domestic production in 1954.

Governor GARY. Those are our two recommendations, and I might close by making this further statement: That, in my opinion, the people of this country will not stand for a healthy economy being forced to take bitter medicine in an attempt to cure the foreign-policy patient, and I think that is exactly what we are doing under this program.

We are forcing our people here in this country to take bitter medicine in order that people in other countries might be more prosperous and have a more healthy economy.

Gentlemen, that is my oral statement, and I yield now, Mr. Chairman, for any questions that the committee might desire to ask me.

Senator KERR. Your written statement will be made a part of the record, Governor.

I have no questions and I appreciate your being here.

I think you have made a strong presentation and I think you have called attention to one point that is quite significant.

Under the Constitution Congress is charged with the responsibility of regulating trade and commerce.

Governor GARY. That is correct.

Senator KERR. And we have attempted to delegate to the President and, as has been said, he in turn delegates it to the State Department; and, with reference to the importation of crude oil and its products, then they in turn have delegated it to the importing oil companies.

Governor GARY. That is what I pointed out in my written statement, but you are telling it in a much better way than I pointed out.

Thank you for the help.

Senator KERR. I want to call attention to what I thought was the significant phase of that part of the testimony.

Governor GARY. Yes.

Senator KERR. Are there further questions?

Senator CARLSON. I just wish to state, Governor, I appreciate very much your appearance here this morning.

Kansas and Oklahoma are not only neighboring States, but we have somewhat similar problems. Of course, you folks are a greater oil-producing State than Kansas. We are fifth in the Nation.

Are you are third or what?

Governor GARY. I believe we are fourth.

Senator KERR. Fourth.

Senator CARLSON. We are fifth, and you mentioned the lead and zinc situation. We are part of the tri-State area.

Governor GARY. Correct.

Senator CARLSON. And therefore I am somewhat familiar with your problems as well as our own.

So your appearance here this morning was greatly appreciated.

I believe, too, you have just harvested your largest wheat crop.

Governor GARY. Largest per acre wheat crop in history.

Senator CARLSON. That is what I understood.

Governor GARY. Correct.

Senator KERR. Just when we get to feeling good about that, Governor, we turn around and see that Kansas has produced about 2½ times as many.

We produce more oil than they do and usually better football teams than they do and they raise more wheat than we do and then beat us playing basketball.

Governor GARY. Senator, I wanted to leave a good impression. I did not want to mention the football team. [Laughter.]

Senator CARLSON. I want to say this to the Governor of Oklahoma, that while we go to Oklahoma and they beat us every time that we still are rooting for Oklahoma's team.

Governor GARY. Well, fine. Now that is all right.

The record will show that.

Senator KERR. See that is because we root for Kansas when they beat us playing basketball and they have been doing it longer than we have in football.

Senator CARLSON. I am not sure about that.

Governor GARY. I want to make one further statement. At the request of General Thompson, of Texas, all of you know General Thompson—the chairman of the Texas Railway Commission—the general authorized me to make this statement to the committee when I testified: That he endorsed what I said 100 percent. That is the written statement.

Now I might have said something orally that he would not endorse here a hundred percent but the the written statement he said he endorsed it a hundred percent. And Gov. Hugo Aronson of Montana set me a telegram stating he endorsed my position here too.

I wanted to say that for the record because those two authorized me to make that statement.

Senator CARLSON. Mr. Chairman, before the Governor leaves the stand, I think the record ought to show that on Saturday, June 21, Senator Anderson of New Mexico was presiding, Senator Malone and I were present at a session at which Secretary Dulles and Secretary Weeks concluded their testimony.

They had both testified previously, and Senator Anderson and I both interrogated the Secretary in regard to lead and zinc, potash and oil, and the record, of course, was printed. I have a copy here of the transcript.

It was interesting to note that this committee—not the President's Cabinet Committee but a special committee headed by Secretary Weeks, and I am going to read just one statement, because I think it is important to this effect:

He wrote the President on June 4:

DEAR MR. PRESIDENT: On May 28, 1938, you directed a 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—

and this is the point I want to call to your attention—

in the interests of the voluntary program to specify maximum quantities of petroleum products which might be imported into the United States.

I am not going to read the testimony. But I questioned him on that point in order to make the record clear. I wanted that record to show that these petroleum products would not be just crude oil imports. It was finished and unfinished gasolines and other derivatives of oil and he states specifically they are considering that as a part of the import picture, which they have not done in my opinion before, and the last statement that——

Senator LONG. Would you please read his answer in that connection, Senator?

Senator CARLSON. Yes, sir; I will.

Secretary DULLES—

I do not want to read all of it but it is here in the hearing, when I interrogated him about all these different items which the President

requested that crude oil, cognizance of all matters and aspects of the matters of importation of petroleum and its products.

I said something about we will be getting into something of a new field if we decide to limit imports on anything other than crude oil.

Is that correct?

Secretary DULLES. That is quite right. The committee is watching all of the products and so far it has not, as I understand it, felt it necessary to do anything about the residual oil situation.

Senator CARLSON. But am I 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.

Then I read this sentence to him again because I wanted to get it into the record very correctly as to what they were doing, and I wanted to get his reply as to whether we could really depend on serious consideration in regard to consideration of all imports, and I want to read his answer. Then he talks about these imports in the third quarter. I mentioned this 40-percent increase in the third quarter over 1957 and the 100-percent increase over 1954, and I say—here is what I am reading. This is from their report:

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.

I want to have some assurance that this committee—

and that is the Committee they have at Cabinet level—

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 or the danger which you read here is a report which comes from this committee which has shown that it is vigilant in watching this situation.

And I state:

I appreciate your frankness.

I wanted that for the record because I wanted the record to show that if these imports continue we have some reason to expect that—

Governor GARY. Senator, this lawsuit which has been filed by the Eastern States, if they happen to be successful in that lawsuit, and Congress fails to adopt a restrictive amendment on this Reciprocal Trade Act, we would not have anything, would we?

Senator CARLSON. I think that is a very important point that is to be considered by the committee. I really do.

Governor GARY. I pointed out that in my printed mimeographed statement and if we do not have anything, turn them loose, why, within a very few months we would have some independent oil producers in this Nation facing bankruptcy.

Senator CARLSON. I thank you.

Governor GARY. And we would have some refineries in this Nation, independent refineries in this Nation, in financial trouble.

Senator CARLSON. Thank you, Mr. Chairman.

Senator KERR. Senator Bennett?

Senator BENNETT. Mr. Chairman, since Oklahoma and Kansas have divided up the intercollegiate athletic world there is not very much left for the rest of us, but I am happy that we are moving forward quite rapidly in oil production in my State.

It is new to us but becoming more and more important and I have a deep interest in this problem, which I share with my two colleagues from these athletically important States.

Governor GARY. Thank you.

Senator KERR. Thank you, Senator Bennett.

Senator LONG. I would just like to ask 1 or 2 questions of the witness.

Governor Gary, my feeling has been that we should permit foreign imports to come into this country when they can be produced more cheaply in other countries than they can be produced here. But I do think if we are going to permit these low-cost imports to come in, we should look at the overall picture and do it in some planned way, spreading the burden across a number of industries rather than just picking on one.

Now, simply because some kind of agreement made sense back in 1934 does not mean that it makes sense today. When American industries establish plants outside of the United States, when large American oil producers withdraw their drilling rigs and plants to foreign countries and then completely destroy their domestic industry with their foreign operations, to me it seems that something should be done.

If you leave out bananas, and your other tropical fruits, leave out cocoa, leave out coffee, leave out manila hemp and things of that sort that we do not produce in this country, and then see what percent of things we produce here that we also import, it works out that imports are equal to about 2 percent of our gross production. Now oil is the major industry where someone finds they can go outside the United States and produce it more cheaply. Even Americans are producing it more cheaply outside of the United States. They are in a position to completely destroy the American industry.

We passed laws against sweatshops, and we enforce them here in America; but it is completely legal for an American to haul his sweatshop outside of America and to get labor below sweatshop prices, train them in American plants established in foreign countries, and then sell goods made in foreign sweatshops, and completely destroy the American industries.

It does seem to me we ought to take a look at these agreements. If we are going to let Americans do these things outside of the United States, we at least should have some regard for American industry and spread the burden of this foreign competition.

The oil industry is being asked to take a 25 percent load. Oil, as you know, is now the No. 1 import into the United States. We import more dollars worth of oil than we do of coffee. That being the case, it seems to me it is the time for us to say, "Let's spread this burden, if we want to increase our foreign trade."

When more than 16 percent of our oil is imported, it is time for somebody else to make way for foreign imports, not just the oil industry.

Governor GARY. I agree with you, Senator.

You mention coffee. It so happens we do not produce coffee in this country, in this Nation.

Senator Long. That is the point I have in mind.

Governor Gary. But we have a surplus of oil. We are importing oil but of course we import coffee because we have to.

Senator Long. Right.

Governor Gary. I wonder if Brazil is importing coffee in Brazil.

Senator Long. Oh, no. [Laughter.]

Governor Gary. Well, it would make just as much sense.

We are importing oil into this Nation when we have got it and we cannot sell it. Down in Texas they are just letting their wells produce 8 days a month.

Senator Kerr. Nine days now.

Governor Gary. They raised it a day.

Senator Kerr. A great advance.

Governor Gary. A great advance.

Senator Kerr. Yes, sir.

Governor Gary. In Oklahoma, why we have got, what are we producing now, Senator, up to 20 barrels now is the average?

Senator Kerr. Now we have 175,000 wells producing 500,000 barrels. That is a little less than three barrels for the well.

Governor Gary. There you go. You gave me a good thought there, Senator Long.

Pardon me for interrupting you. I wanted to find out if Brazil was importing coffee.

Senator Long. The point I wanted to bring out is that if we are going to let our friends develop their economies by letting them export their products into our market in order to pay for things that they buy in the United States, it seems it is not fair for them to export only one product and in effect make the decision and slay one American industry and at the same time let the other industries stay unharmed. If that be the case, if we want to expand our imports it should not be done at the expense of one industry. It should be spread.

Governor Gary. I agree with you it should be spread. But I disagree with the whole general policy, not only oil.

I have got a statement here in my printed statement that I would like to call to your attention. Let me see if I can find it right quick——

Senator Bennett. It is on page 8.

Governor Gary. Yes, on page 8. Here are excerpts from a letter from the State Department to the American textile manufacturers where he is promising aid, financial aid to textile manufacturing concerns to build a plant in another country and not only that but offering insurance protection which you cannot even get here, to build a plant to hire cheap labor, as you say, to compete with American labor.

Now I don't know how true this is, I have just reprinted here a letter that we had a copy of, but to me it makes the United States look pretty bad, and I think if things like this are going on, and the people of the Nation find it out they are going to rise up in very strong protest.

As I say it does not only apply to the oil industry—it is pretty broad.

It is getting pretty broad here when we start depriving American working people and using American taxpayers' money, to set up busi-

ness enterprises in other nations of the world, to hire cheap labor to ship the cheap merchandise into this country, compete with us—again I say we are contributing to the destruction of our great free enterprise system, the very thing we are trying to prove to the world is the best.

Senator Long. You will find some concerns will be very philosophical as long as they are exporting more than they are importing.

The last figures I saw for the automobile industry were for 1957. In spite of increased foreign imports, they were exporting in dollar volume about 4 or 5 times what they were importing.

I should imagine they would be very satisfied with the trade situation as of that point.

But when you get down to where those foreign imports take 25 percent of domestic market, and they lose their export markets, I believe you will find the automobile industry taking a completely different point of view.

Governor Gary. Senator, I agree with you and I want to predict this present policy if it continues that same thing will happen to the automobile industry in the next few years.

Senator Long. Thank you very much.

Senator Kerr. Thank you very much, Governor.

(The complete statement of Governor Gary is as follows:)

STATEMENT OF RAYMOND GARY, GOVERNOR OF THE STATE OF OKLAHOMA

I am the Governor of Oklahoma. My name is Raymond Gary. I appear here on behalf of the people of the State of Oklahoma to protest excessive imports into the United States of crude oil and petroleum products, and other natural resources such as lead and zinc.

This is the second time that I have appeared before this committee urging a reduction in excessive imports of foreign oil and petroleum products into the United States. In 1955, I told you that the continued imports of crude oil and petroleum products into the United States would eventually cripple the economy of Oklahoma. We are now suffering from the effects which I then predicted.

As the governor of a sovereign State, I think it is rather unusual that I am here to plead for the economic future of my State; that I must appear in opposition to the viewpoint and philosophy of departments of Federal Government who appear to place the welfare of foreign nations above that of many of the sovereign States.

As the chief executive, and responsible for the successful operation of my State's government, I am somewhat confused over the policies of the Federal Government. On the one hand, local government is urged by spokesmen for the Federal Government to take over more and more of the functions which are now being exercised under Federal control and, on the other hand, another department of the Federal Government advocates taking from us the financial means to accomplish this purpose.

It is because of the seriousness of the problems presented to my State by the failure of the Federal Government to act to curb excessive imports of oil and gas, lead and zinc, and other natural resources, that I now make the this last appeal.

In 1955, I appeared here supporting the Neely amendment, which would have limited imports of oil to 10 percent of the United States' oil demand. Congress recognized the seriousness of the imports question and took action to limit imports by enacting the defense amendment to the Trade Agreements Act. By that act, the President of the United States was given broad authority to limit imports when he found that the national security was jeopardized. It was my impression then—and is still my impression—as evidenced by congressional debate on the issue at that time that the congressional intent of the amendment was to limit the imports of crude oil and products to the 1954 relationship (14.6 percent of production). I think we should consider what has happened since that date. The record discloses that the congressional intent was ignored.

Attached to this statement you will find a summary of efforts to control oil imports from 1955 to 1958. It can be readily seen that although the Special Cabinet Committee on Fuels Policy found in February 1955 that imports in excess of the 1954 ratio endangered national defense, imports continued to rise until at the present time, imports of crude and petroleum products have reached the figure of 24.2 percent and we are importing daily 490,000 barrels of crude oil and petroleum products in excess of that imported in 1954.

Each day we import approximately a million and one-half barrels of crude oil and petroleum products, which is about three times as much as the allowed production of the State of Oklahoma, and equals the combined total production of Kansas, Illinois, Oklahoma, New Mexico, Arkansas, and North Dakota. I say allowed production of the State of Oklahoma, since in Oklahoma production in excess of market demand constitutes waste. Each barrel of oil produced in the United States is in competition with every other barrel, including those barrels of foreign oil which are imported. Therefore, the increase in imports has decreased the demand for Oklahoma oil, which is reflected by the amount the State produces under its conservation laws. We must realize that there are those who advocate increased imports because of an alleged inability of domestic production to supply the demand, and at the same time these same oil companies refuse to provide a market for lawfully produced domestic crude. Large importers of crude and petroleum products are large purchasers and refiners of domestic crude, hence we find discrimination against domestic crude in favor of cheap imported crude and petroleum products.

This accounts for the fact that we find in Texas an estimated 8,000 unconnected wells and in Oklahoma about 3,400 wells without a market—flush production prorated to 15 to 20 barrels a day in Oklahoma—9 production days a month in Texas, and corresponding situations in other oil producing States. These companies are therefore in the position of creating the economic problem which they then use to justify increased imports.

I would again like to repeat what I have previously stated before this committee of the importance of a healthy oil industry upon the economy of the State of Oklahoma. A general decline in the industry such as we are now suffering, affects every citizen of Oklahoma.

Approximately 70,000 citizens of Oklahoma are directly employed in the drilling, production and refining of crude oil. They receive approximately $280 million per year in wages, paid by this industry. In addition to those directly employed, 187,635 people are indirectly employed in furnishing supplies and services necessary to these operations. If we figure that 3.2 people are dependent upon each fully employed person, 825,000 Oklahomans are dependent upon this industry. In other words, the prosperity of approximately one-third of the population of Oklahoma is directly dependent upon the prosperity of the oil industry within the State of Oklahoma.

The gross value of the crude oil produced within the State of Oklahoma amounted to $648,861,812 for the fiscal year 1956–57. If these earnings are turned over only once, our sales tax receipts from this source would amount to more than $12 million. Since our welfare program in the State of Oklahoma is entirely dependent upon this source of revenue for its continued operation, our aged citizens, our dependent children, our blind, our crippled, and other unfortunates are directly affected by the economy of the oil industry.

You gentlemen are well aware of the increasing costs of government, a matter of concern also to the individual States. One of the largest sources of tax revenue in the State of Oklahoma is our gross production tax. It is the greatest single item contributing to the general revenue fund. For the fiscal year 1956–57, the oil industry paid to the State of Oklahoma, in this tax alone, $34,164,477. This figure represents approximately 34 percent of the funds collected and going into the general revenue fund of the State. We must therefore conclude that the State is greatly dependent for its economic welfare upon the continued prosperity of the oil industry.

Since the oil industry is so important to my State, I would like to point out what is now happening by reason of the loss of markets for our oil through increasing importation of crude and petroleum products. On May 1 of this year, Oklahoma was marketing 153,000 barrels per day less than a year ago, following the national trend which shows that the United Sttaes produced 232,775 barrels per day less than a year ago. This reduced production necessary to meet the reduced demand for our oil comes at a time when our State can ill afford to do without this revenue. Approximately $700,000 per month in gross production tax

alone is being lost to the State of Oklahoma. The loss will amount to approximately $8 million by the end of the year. I need not point out to you what the effect will be upon the tax structure of our State. But the loss in gross production tax is not our only tax loss—we must prepare for a heavy loss in income tax, gasoline and vehicle taxes, sales taxes, and other revenue sources. I dislike to contemplate what the full extent of the loss will be, but I can assure you that it will have a most crippling effect upon necessary governmental functions within my State.

Tax losses, no matter how great, are not the only effect upon the economy of Oklahoma which is felt by continued excessive importation of crude oil and products into the United States. With reduced production, there is less incentive to drill additional wells. In 1957, 1,821 less wells were drilled than in the previous year. This reduction in drilling represents approximately one-half of the national decline, and is a 25-percent decline within the State of Oklahoma. In this year of 1958, drilling to date has shown no improvement over 1957. In 1955 there were 400 active drilling rigs in Oklahoma. Today that total has shrunk to the startling figure of 106. What does this mean to our economy? Each drilling rig constitutes a small industry employing at least 18 men, and has an expenditure of approximately $1,000 per day for wages and services. The curtailment of drilling upon the small communities of our State has had a devastating effect. The figures of the Oklahoma Employment Security Commission on the mining industry (which includes oil and gas) show an increase of approximately 46 percent in unemployment from February 1957 to February 1958. In one large oil-producing area in Oklahoma, unemployment has increased 100 percent; in another, 250 percent. The largest service company in the world (Halliburton Oil Well Cementing Co.) with headquarters in Duncan, Okla., has found it necessary to reduce to a 35-hour workweek.

In the tristate area—which includes Kansas, Oklahoma, and Missouri—40 of the 44 operators of lead and zinc mines have shut down. More than 2,000 wage earners, directly and indirectly connected with the industry, have been forced to leave their jobs, with a resulting loss in income of approximately $200,000 per week. At Henryetta, Okla., the closing of the smelter plant threw 600 people out of work. Is it any wonder then, that as Governor of my great State, I find myself greatly concerned with the ever-increasing imports of crude oil, petroleum products, and lead and zinc into the United States?

Officials in charge of the voluntary plan have stated repeatedly that the program has been successful. This is just not so. In spite of carefully prepared statistics from which they attempt to sustain their position, we must face the fact that in the first 6 months of 1958, we are importing petroleum products at a greater rate than ever before. The facts show that in 1954 we imported 1,052,000 barrels of crude and petroleum products per day. In 1957 this figure had increased to 1,570,000 barrels per day. In 1954 the ratio between imports and domestic production was 16.6 percent. In 1957 the ratio had increased to 21.5 percent. In the first 6 months of 1958, it has risen to 24.2 percent. The figures also show that in 1957 the excess per day of oil over 1954 was 354,000 barrels. In the first 6 months of 1958, it has reached 490,000 barrels per day. The figures speak for themselves.

The latest schedules of the importing companies as filed with the Texas Railroad Commission in June of this year (plus about 50,000 barrels daily of production reports by companies which do not report to the railroad commission) show imports of refined products are scheduled to exceed 600,000 barrels daily during the months of July, August, and September 1958. This is more than twice the product imported during the same period in 1954 (297,000 barrels daily) or an increase of 100 percent. It represents an increase of 45 percent over the same period in 1957 when this same voluntary program was in effect on crude oil imports. This startling increase in finished and semifinished imports would indicate an intention of importers to circumvent and destroy the voluntary program and is further evidence of its failure.

Another indication that the voluntary plan cannot succeed is the suit of Eastern States Petroleum & Chemical Corp., which seeks a temporary injunction from the Federal district court to restore the status quo to enable it to make deliveries under its contract with the military petroleum supply agencies. These deliveries were suspended on June 19 because Eastern States refused to comply with the voluntary imports program. I have been advised by many able lawyers that there is considerable merit to the contention by Eastern States. If this suit is successful, the so-called voluntary program has failed.

The voluntary plan has not been successful in that a large number of companies have been denied the right to compete in the importation of oil with those companies which in point of time were first upon the scene. I have been advised that there are over 44 new applications for crude oil imports in the office of the Administrator, seeking to import an additional 300,000 barrels daily of crude oil. Even though all of these applications are denied, we may reasonably expect others and an eventual breakdown of the entire program.

This voluntary program must fail because it is based upon a plan which divides the United States into zones with different quota restrictions applying to these zones. The effect upon the market for domestically produced oil is that States seeking a market are denied the opportunity to sell their oil in zones other than those within which their market exists because new markets are being absorbed by imports. For example, the zone which includes the west coast, by reason of its imports, denies this market to midcontinent oil because a pipeline could not be constructed where no market exists.

Any fair-minded, clear-thinking individual must conclude that the voluntary program is of a temporary nature and will be of short life.

The present foreign policy of our Government materially aids in the destruction of our free-enterprise system by granting aid and assistance to American business to enable them to build and establish manufacturing conferns in foreign nations, employing cheap foreign labor to manufacture goods to import into the United States in competition with American-produced goods.

Let me read you excerpts from a recent letter by Mr. Nathaniel Raller of the ICA in the State Department to American Textile manufacturers. "Confirming my comments of this morning, I wish to reiterate that ICA is prepared to render many forms of assistance to any one or more of your members who may be interested in establishing textile plants in Indonesia."

"If any of them are interested in such an investment, we believe that it would be preferable for the investment to be in the form of a joint venture, with Indonesians, so far as the equity is concerned. ICA would be prepared to make loans from its new development loan fund. We would also be prepared to insure such investments against the political risks of expropriation, inconvertability of currency and war damage. Furthermore, we would furnish technical assistance by financing on-the-job training in Indonesia, or training here in America for Indonesians in technical and managerial skills. We might also be able to finance the installation of public facilities, such as power, transportation, etc., if not otherwise available near desirable plant sites. These and other possible means of ICA assistance could be discussed in detail with any of your members who may be interested."

Under our present foreign policy, we are gradually destroying our great free-enterprise system. We are gradually destroying within the borders of this nation the very system we are trying to create within the borders of other nations in competition with the communistic philosophies of government. We know it is necessary for this country to carry on a very liberal program of foreign trade with the free nations of the world, but it is hard for us to understand the necessity of our having to close down our oil wells and lead and zinc mines in Oklahoma and in other oil-producing States of the Nation in order to make room for lead and zinc and petroleum products from other countries. We just cannot endorse a program that gradually destroys our own domestic economy while American free-enterprise dollars and American tax dollars are building the economies stronger and stronger in other nations to compete with us.

The effects upon the lead and zinc industry in the State of Oklahoma on this imports policy has been most severe. Only this morning I was informed that an additional 350 employees, and another 150 persons dependent upon allied operations, have been layed off by the lead and zinc industry in my State. This, added to the several thousand families already placed in the ranks of the unemployed, is a serious problem in Oklahoma.

It is easy to see what has brought about this condition. For the period 1946–57, imports of zinc increased 111 percent. For the same period, imports of lead increased 231 percent. It is difficult to tell several thousand wage earners in Oklahoma, and the tristate area, that they must be deprived of the right to earn a livelihood in order that the economy of a foreign country might be advanced.

I have already told you what the effect of the foreign policy has been upon the economy of Oklahoma. Our economy is being destroyed to better the economy of foreign countries by increasing their production of oil. For the years 1953–57, production in the Middle East increased 52 percent; Canada, 95 percent; Vene-

south, 40 percent. Compare these increases with the production in Oklahoma where we did not even hold our own during the same period, and then with the United States where the production increased only 10 percent.

As far as the oil business is concerned, our problem is simple. You have placed us in competition with foreign countries and we just cannot compete. Cheap foreign labor, wasteful producing practices, and subsidized businesses are too much for us. A continuation of this policy will eventually result in the abandonment of our marginal wells, and has largely destroyed the incentive to explore for new oil reserves, thereby weakening our national security and will cause a shortage of oil in the years to come. This sort of program leads to an internal breakdown in the economy of our Nation and a gradual destruction of our free-enterprise system.

We are told that we are exporting about $10 billion a year to foreign countries and we are importing from them about $12 billion per year. This would seem to be a balance in our favor of $7 billion. However, if the latest Department of Commerce figures are correct there are things that the administration neglects to tell us because the $10 billion figure includes not what we sell to foreign countries, but everything we ship in our various aid and giveaway programs as well.

The United States spent $546 million more, during the first quarter of the present year—$546 million more on goods imported into the United States than it got for goods we sold to foreign countries. The truth is then that after 12 years of these trade-agreement programs, and which we are asked to extend for another 5 years, we are buying more than we are selling at the rate of $2 billion a year and jeopardizing our national security at the same time. Another 5 years of further reducing tariffs will undoubtedly throw these figures further out of balance and certainly not in our favor.

Private industry cannot build a pipeline from the prolific producing States of the midcontinent area to the manufacturing empire of California and compete with imported crude. The United States has loaned—yes, given—money to build petroleum transportation systems in other areas of the world, yet has continually refused to help with a pipeline that would tie our great Nation together.

The west coast of the United States does not produce as much oil as it refines daily. Factories dependent upon this fuel source would be greatly curtailed. The building of this system is sound economics. It is a must for our national security. It cannot be built because we cannot compete with imported crude.

I am convinced that if our foreign policy was changed to enable the oil industry of this Nation to feel secure in its expansion and exploration program, that it would finance the construction of a pipeline to the west coast without any governmental assistance. With the increasing of imports of oil and products to the west coast it is discouraging and not feasible, in my opinion, for the oil industry to construct such a pipeline.

Under the Constitution, Congress alone is given the power to limit and control the imports of foreign products into the United States. Under the Trade Agreements Act, Congress has surrendered this constitutional power to the executive department. Recently, the Chief Executive has, in turn, surrendered this sacred power to the importing oil companies of the United States under the voluntary program. Congress should take back from the importing companies this sacred constitutional right which has been passed from hand to hand.

The people of this country will not stand for a healthy domestic economy being forced to take bitter medicine in an attempt to cure the foreign-policy patient.

I respectfully suggest:

1. That Congress place mandatory control over the importation of crude oil and petroleum products.

2. That imports be restricted to 16.6 percent of national demand or the 1954 relationship.

SUMMARY OF EFFORTS TO CONTROL OIL IMPORTS, 1955–58

January 28, 1955: Fifteen witnesses, representing 21 cooperating associations of oil producers, testified before the House Ways and Means Committee urging that oil imports be limited to 10 percent of United States oil demand by amendment to H. R. 1 extending the Trade Agreements Act. The House later passed H. R. 1 after a series of very close votes, without voting on any specific amendment as to oil imports.

February 26, 1955: President Eisenhower's Cabinet Committee on Energy Supplies and Resources Policy released its report recommending that oil imports be limited to the 1954 relationship (10.6 percent) to United States crude oil production.

March 15, 1955: Governor Gary of Oklahoma, Senator Daniel of Texas, and witnesses from the oil industry testified before the Senate Finance Committee supporting an amendment to the Trade Agreements Act to limit oil imports to 10 percent of United States oil demands.

April 26, 1955: Senate Finance Committee reported out H. R. 1 extending the Trade Agreements Act, without voting on the oil amendment but approving a substitute known as the defense amendment (sec. 7) authorizing the President to control imports of any commodity, including oil, whenever they threaten national security.

May 4, 1955: The Senate approved the extension of the Trade Agreements Act with the defense amendment and the debate in the Senate clearly showed the congressional intent that the defense amendment should be used to limit oil imports to the 1954 relationship to domestic crude oil production.

June 21, 1955: President Eisenhower signed the extension of the Trade Agreements Act for 3 years putting the defense amendment into effect.

July 30, 1955: Twenty-seven Senators sent letter to Dr. Arthur Flemming, Director of the Office of Defense Mobilization, asking what actions he intended to take under the authority of the defense amendment to restrict oil imports to the 1954 relationship. Oil imports continued to exceed the 1954 relationship.

August 8, 1955: ODM Director Flemming called upon the importing companies to furnish information as to their import programs. Oil imports continued to exceed the 1954 relationship.

September 13, 1955: ODM Director Flemming stated that information submitted by importing companies showed that oil imports were excessive and that the Government would have to take action if the importers did not correct the situation. Imports continued to exceed the 1954 relationship.

October 29, 1955: ODM Director Flemming wrote to the importing companies stating that the Cabinet Committee had concluded that crude oil imports continued to be in excess of recommended levels and should be reduced voluntarily by the importing companies. Oil imports continued to exceed the 1954 relationship.

May 11, 1956: ODM Director Flemming requested that the importing companies reduce imports for the second and third quarters of 1956 to such a level that overall crude oil imports for the year 1956 would show a satisfactory relationship to domestic production. Imports continued to exceed the 1954 relationship and for the year 1956 amounted to 20.1 percent of domestic crude oil production as compared with 16.6 percent in 1954.

June 26, 1956: ODM Director Flemming wrote to importing companies again asking that they voluntarily reduce crude oil imports during the third quarter of 1956. Oil imports reached new record levels in the third quarter of 1956, substantially in excess of the 1954 relationship.

July 30, 1956: Thirty-one Senators signed a letter to ODM Director Flemming expressing concern with regard to the continuing excessive oil imports and asking what assurance could be given that the intent of the defense amendment to hold imports to the 1954 relationship would be carried out.

August 7, 1956: The cooperating associations of oil producers filed a legal petition with the Office of Defense Mobilization requesting mandatory controls under the defense amendment to limit oil imports of the 1954 relationship.

September 7, 1956: ODM Director Flemming advised the importing companies that imports had not been reduced to the level he had requested and expressed concern as to the failure of some companies to comply. Oil imports continued to exceed the 1954 relationship.

October 12, 1956: President Eisenhower directed that a study be made with respect to the construction of large tankers but specifically stated that the study should be consistent with the request that had been made to oil importers to keep imports at a level where they do not exceed significantly the 1954 relationship to domestic production.

October 17, 1956: The special Cabinet Committee released another recommending reductions in crude oil imports which continued to exceed the 1954 relationship.

October 22, 1956: A public hearing was held by the Office of Defense Mobilization on the August 7 petition by the cooperating associations for the Govern-

ment to impose mandatory controls to prevent the continuing excess of oil imports over the 1954 relationship.

December 4, 1956: ODM Director Flemming stated that planned imports for 1957, if carried out, would constitute a threat to national security, but action on the petition to control imports was being suspended because of the situation in the Middle East and the closing of the Suez Canal. Oil imports were reduced somewhat during the early months of 1957 as a result of the disruption of transportation in the Middle East and not because of any Government control or voluntary actions by importing companies.

March 5, 1957: ODM Director Flemming wrote to the importing companies requesting import plans following the opening of the Suez Canal.

April 23, 1957: ODM Director Gordon Gray, who had replaced Flemming, advised President Eisenhower pursuant to the defense amendment that he believed crude oil was being imported in such quantities as to threaten to impair the national security. Two days later the President announced an investigation to determine what action should be taken.

July 29, 1957: The special Cabinet Committee appointed to investigate the import situation released its report concluding that the increased volume of crude oil imports and proposed imports for the latter half of 1957 threatened to impair the national security. The committee recommended a voluntary plan establishing alowables for crude oil imports for each company in the area east of California. West coast imports were not included in this plan and total imports continued to exceed the 1954 relationship.

December 12, 1957: A second report of the special Cabinet Committee recommender that crude oil imports into the west coast be limited by extending the voluntary plan to establish allowables for each importer on the west coast. The total allowables for the area east of California and the west coast continued to exceed the 1954 relationship.

First 3 months 1958: Under the voluntary plan crude oil imports are limited to about 990,000 barrels daily with no limitation on imports of refined products. Most of the importing companies have been complying with this plan but three companies (Tidewater, Sun, and Eastern States) have not agreed to comply. Tidewater has continued to import twice the volume permitted under the voluntary program. In addition, about 40 companies have filed applications as new importers requesting to import an additional 300,000 barrels daily. Even without these new applications, imports in 1958 continue to exceed the 1954 relationship by more than 300,000 barrels daily with the largest part of the excess being imports of crude oil.

Senator KERR. Mr. Wood?

STATEMENT OF ROBERT L. WOOD, BASIN DRILLING CO., MIDLAND, TEX.

Mr. WOOD. Thank you, Senator.

Mr. Chairman and members of the committee, my name is Robert L. Wood. My home is in Midland, Tex., where I am an independent oil producer and drilling contractor.

Senator KERR. Sit down, Mr. Wood.

You are no longer a citizen of the biggest State of the Union. Now just sit down. [Laughter.]

May I say definitely you are no longer a representative of the biggest State of the Union.

Mr. WOOD. Thank you, Senator, I hope to remain a citizen.

Senator KERR. But as one of the other smaller States we of Oklahoma welcome you into the brotherhood of the junior members of the Nation.

Mr. WOOD. Thank you. I know how you felt for 50 years, Senator. [Laughter.]

I appear before this committee as chairman of the executive committee and immediate past president of the Independent Petroleum

Association of America, a national association of oil and gas producers, and land and royalty owners with members in all producing areas in 31 States.

I appear before this committee to urge, in the interest of national security, that oil imports be limited under the Trade Agreements Act, as proposed in the amendment introduced by Senator Long, for himself and on behalf of 17 other Members of the Senate.

As industry representatives we in IPAA feel that one of our primary responsibilities is to keep the Government and the public as well, informed as to those conditions which could impair national security by threatening the industry's ability to supply this Nation's petroleum requirements both in peace and war.

I have a detailed statement and request it be made a part of the record of this hearing.

Senator KERR. That will be done.

Mr. WOOD. Also I would like to present the statement of the president of the Independent Petroleum Association of America, Gordon Simpson, for the record.

Senator KERR. Very well. It will be received and put into the record.

(The statement by Mr. Gordon Simpson, president of Independent Petroleum Association appears on p. 1410.)

Also I would like to make a part of the record the other associations, the area associations, whom we represent in this hearing, if I may, and I should like to read them:

The East Texas Oil Association, Tyler, Tex.
Independent Oilmen & Landowners Association of North Dakota, Bismarck, N. Dak.
Independent Oil Producers Agency, Los Angeles, Calif.
Independent Producers & Royalty Owners Association of New Mexico, Roswell, N. Mex.
Kansas Independent Oil & Gas Association, Wichita, Kans.
Kentucky Oil & Gas Association, Owensboro, Ky.
National Stripper Well Association, Wichita Falls, Tex.
North Texas Oil & Gas Association, Wichita Falls, Tex.
Ohio Oil & Gas Association, Newark, Ohio.
Panhandle Producers & Royalty Owners Association, Amarillo, Tex.
West Central Texas Oil & Gas Association, Abilene, Tex.

I would then like to summarize some of the important considerations as to our oil supplies in relation to our foreign trade policies.

JUSTIFICATION FOR SPECIFIC LEGISLATION AS TO OIL IMPORTS

The amendment proposed by Senator Long applies directly and specifically to imports of crude petroleum and products derived therefrom. In this connection, I appreciate the preference for dealing with foreign trade matters through broad policies rather than through treatment of individual commodities.

In the case of oil imports, however, the conditions are such that there is both justification and need for individual and specific treatment.

First, oil is one of the basic materials most essential to our standard of living and our security. We must have adequate and available supplies at all times.

Second, it is impractical to stockpile or subsidize this product as a safeguard against emergencies. Experience has shown that we must

have a vigorous and expanding industry capable of meeting both peacetime and emergency requirements.

Third, the Congress gave specific recognition of the oil import problem in adopting the defense amendment in the 1955 extension of the Trade Agreements Act, with the clear intent that the defense amendment authority in the case of oil be used to limit imports within the 1954 relationship to domestic production.

Fourth, the defense amendment has been applied only to oil imports, with the Director of Defense Mobilization advising the President on April 23, 1957, that he had reason to believe that crude oil was being imported into the United States in such quantities as to threaten to impair the national security.

Fifth, only in the case of oil imports has the executive branch of our Government determined (*a*) that there is a direct relationship between the Nation's security and adequate and available domestic petroleum supplies, (*b*) that it is essential to follow a policy which will encourage continuation of free-enterprise exploration and development in the United States, and (*c*) that there must be a limitation on petroleum imports that will insure a proper balance between imports and domestic production so as to encourage adequate exploration and development in the United States commensurate with the growth in national requirements.

Finally, the problem of excessive oil imports is not new. In fact, it is doubtful if any single issue has been more prominently before the Congress in connection with foreign trade legislation. A lasting solution of this problem by the Congress would clarify our foreign trade policy and prevent impairment of our security as to our all-important supplies of oil.

The domestic oil-producing industry, over a long period of years, has sought a sound solution to this problem in the national interest. Every approach has been explored. For example, an application under the escape-clause provision in 1949 was turned down for reasons that could not be supported by the facts.

In 1951, under the peril-point provision, it was urged that no further reductions should be made in the excise taxes on petroleum imports.

In this case, the findings of the Tariff Commission were disregarded. Later, during 1956 and 1957, I devoted much of my time as president of the Independent Petroleum Association of America in an effort to help solve this problem through industrial statesmanship under existing laws.

Throughout this period, the domestic industry urged a reasonable limitation on oil imports, so that necessary domestic exploration and development would not be discouraged.

These efforts served only to delay the critical conditions that exist today. A basic policy decision must now be made as to whether imports will be permitted to undermine our historic self-sufficiency and render us dependent on uncertain foreign sources.

EFFECT OF OIL IMPORTS

I want to make it clear that we do not attribute all the unhealthy conditions that exist today to excessive imports.

We recognize the effects of the business recession on the demands for petroleum and other factors that require adjustments in the industry's operations.

Neither do we oppose all imports. We do not seek the elimination of imports nor do we oppose reasonable foreign trade in petroleum. That has never been the issue, and is not the issue today.

Instead, we seek a definite national policy as to oil imports, established by the Congress, to assure the adequate development of domestic resources. We seek a reasonable balance between imports and domestic supplies so that both may expand in relation to the growth in United States oil requirements.

Today, and for the past 12 months, there is clear evidence of deterioration in the essential activities of finding and making available adequate supplies of petroleum. Briefly domestic oil production continues to be drastically and progressively curtailed.

Since February of this year, United States crude-oil production has been reduced 1,500,000 barrels daily below the peak reached in March 1957 and about 100,000 barrels daily less than the 1954 average.

In short, it is a losing proposition today to find, develop, and produce domestic crude oil in competition with the excessive quantities of imported oil, with the average production from domestic wells about 13 barrels per day per well and with Middle East wells averaging more than 5,000 barrels per day per well.

A most critical situation confronts domestic producers insofar as obtaining funds to carry out a sustained exploration program. Lending institutions are frankly hesitant to advance moneys for development wells when the period of payback is so indefinite.

Without any assurances as to how much oil a well will be allowed to produce, these lending institutions are not inclined to make funds available for development programs.

The long years required to explore for, drill, and develop oil properties make it essential, if financing for this work is to be made available, that positive steps be taken to assure producers that the same ground rules will apply over a period of years insofar as imports of crude and products are concerned.

The uncertainty and the unhealthy economic conditions in the domestic industry are reflected in a continuing decline in exploration and drilling and a failure to increase proved reserves in keeping with the increase in oil demands.

The number of exploratory crews active in the United States has decreased by more than 30 percent in the past 5 years. The number of active drilling rigs has declined about 30 percent in the past 2 years. Total well completions so far in 1958 are at the lowest rate in 6 years. Wildcat drilling in search of new reserves has shown a particularly sharp decrease in the past 2 years.

As a result, production in 1957 exceeded the amount of new oil found for the first time since World War II and our proved reserves of crude oil on January 1, 1958, were less than on January 1, 1957.

These trends threaten our self-sufficiency and our future security as to the supplies of oil so vital to our mobilization base.

The welfare of thousands of communities depending on oil and gas production throughout more than half of the States in this Nation is being undermined. Reductions in State revenues from oil and gas production, for the support of the schools, hospitals, and other public

institutions, are creating serious problems for local and State governments.

Petroleum production, which has been contributing more value to the United States economy than all other domestic mineral fuels and metals combined, has been seriously curtailed and results in reduced purchasing power for other goods produced by other industries throughout the United States.

This situation aggravates the current slump in general business activity. If continued, the domestic petroleum industry will be weakened to such an extent that dependency on foreign oil will no longer be a matter of choice, but a grim necessity.

UNITED STATES FOREIGN TRADE IN OIL

As previously pointed out, the unhealthy conditions in the domestic oil-producing industry cannot be attributed entirely to excessive imports. The facts show, however, that increasing oil imports have been a major factor that threatens to lead this Nation inevitably into a position of dependency on uncertain foreign sources of oil supply.

Imports have increased not only in total quantity but also in relation to the domestic production and the domestic demand. Year after year, imports have absorbed a larger and larger share of the United States market.

I would like to call the attention of the committee to the fact that imports of crude oil and refined products have increased steadily and substantially throughout the period since World War II. The ratio of these imports to domestic crude-oil production increased from less than 5 percent prior to World War II to 16.6 percent in 1954.

Instead of being limited to the 1954 relationship, as recommended by the Cabinet Committee in 1955, the ratio has continued to increase to 24.1 percent for the first 6 months of 1958.

It is important to recognize that increased imports have not been a matter of necessity.

These imports displaced available domestic production, and have now reached the point where the domestic industry has approximately 33 percent of its capacity shut in for lack of market.

In contrast to the trend in imports, United States exports of petroleum have declined. This means that the domestic industry has been losing out in the foreign market as well as in the home market. The history of United States exports shows that, whereas the United States prior to World War II enjoyed an export market equal to 13.9 percent of domestic crude-oil production, today that market constitutes less than 5 percent.

As a result of increasing imports, whereas exports have decreased, the United States has shifted from a position of a net exporter to a substantial net importer. This change from a net exporter, in the prewar years, to an increasing net importer has meant a loss of market for United States production amounting to about 1,550,000 barrels daily, or almost 25 percent of current production.

DOMESTIC OIL'S CONTRIBUTION TO WORLD TRADE

The petroleum industry recognizes the important role of international trade. However, let's take a look at the relative position of oil in total United States foreign trade for 1957 and compare this with 1934, the year the trade-agreement program was authorized.

In 1957, oil imports were valued at about $1.5 billion, or 12 percent of the total value of all imports of all commodities.

In 1934, these figures were $36 million, or 2 percent of this Nation's import trade. Obviously, oil has already contributed a substantial and increasing share of the total United States import trade.

This one industry, so vital to national security, should not be expected to contribute to increasing international trade beyond the point that endangers the maintenance of adequate domestic supplies.

JUSTIFICATION FOR LIMITING IMPORTS TO 1954 RELATIONSHIP

The problem of oil imports, and their effect upon the domestic petroleum industry and national security, was one of the primary reasons that caused President Eisenhower to establish a special Cabinet committee in July 1954.

A comprehensive study was conducted by the Cabinet Committee with the unmistakable goal of maintaining adequate defense-fuel supplies within the United States.

In its conclusion, this Committee recognized that the import problem was a national-defense problem and made the specific recommendation in its report of February 1955 that petroleum imports should be limited to their 1954 relationship to domestic crude-oil production in the interest of national security.

The findings of the Cabinet Committee as to oil imports constituted a major basis for the adoption by Congress of section 7, or the defense amendment, to the Trade Agreements Extension Act of 1955.

It is our position that the clear and unmistakable legislative intent of the defense amendment, as applied to petroleum, is that the national security is impaired whenever imports of crude oil and refined products are in excess of the 1954 relationship to domestic oil supplies.

It is our further position, as documented fully in my detailed statement, that developments since the adoption of the defense amendment clearly support and justify the 1954 relationship as the basic standard for limiting oil imports in the interest of national security.

VOLUNTARY PLAN TO LIMIT IMPORTS

As a consequence of increasing imports relative to domestic production, a formal petition was filed in August 1956 by the Independent Petroleum Association of America, requesting action to limit imports to the 1954 ratio under section 7 of the Trade Agreements Extension Act of 1955. Hearings were held on the petition in October 1956, but action was suspended as a result of the Suez crisis that disrupted the world flow of oil with some temporary decreases in United States oil imports and a substantial increase in oil exports for emergency shipment to Western Europe.

Following the settlement of the Suez dispute in 1957, oil imports again increased sharply. On April 23, 1957, the Director of Defense Mobilization certified to the President that imports were a threat to national security.

As a result of the critical threat to security, the President's Special Committee To Investigate Crude Oil Imports submitted recommendations, approved by the President on July 29, 1957, putting into effect the voluntary import program that has been amended several times.

Under the voluntary import program, progress has been made in restricting crude-oil imports, which have been reduced by more than 250,000 barrels daily from the peak level of about 1,200,000 barrels daily reached in the third quarter of 1957.

This program on crude-oil imports, however, continues to exceed the 1954 relationship by more than 200,000 barrels per day for crude-oil imports, with no limitations on imports of refined products excepting for unfinished oils which, under the June 4, 1958, recommendations, will be limited to currently prevailing levels.

As to currently prevailing levels, imports of crude oil and refined products are averaging about 1,560,000 barrels daily for the first 6 months of 1958. This would exceed the 1954 relationship to domestic demand by about 490,000 barrels, with about one-half of the excess being crude-oil imports.

INADEQUACY OF VOLUNTARY IMPORT PLAN

We believe that the efforts to restrict oil imports under the voluntary control program have been commendable and constructive. Even a strengthening of this program by further administrative action, however, would not remove the necessity of definite standards in the law to assure the long-range objective of maintaining adequate domestic oil supplies.

In view of present critical conditions in the industry, it is obvious that the voluntary program has not accomplished the basic objectives of restricting imports to the 1954 relationship and maintaining a vigorous domestic program of oil and gas development to assure adequate domestic supplies for our expanding economy and national defense.

A basic inadequacy of the voluntary plan is the uncertainty that surrounds the program. Allocations are established on a short-range basis of 6 months or less. As a result, neither the domestic industry nor the importing companies have any firm basis on which to make the necessary long-range plans and investments.

The findings of oil reserves, their development and production, and the facilities to process, transport, and distribute petroleum products involve major policy decisions applicable over a long period of years. This is equally true for domestic and foreign operations.

A consistent and dependable policy as to foreign oil is a fundamental necessity to the activities of the industry and to our relations with other producing countries.

Another inadequacy of the present plan is the stopgap procedures that have been followed in the effort to avoid circumvention of the program. The failure of a few companies to comply resulted in the decision to apply a separate authority—the Buy American Act—when direct authority to limit imports would seem to be in order, in view of the fact that national security was involved. The decision to apply voluntary controls to imports of unfinished gasoline and other unfinished oils represented another piecemeal approach.

The failure to establish a definite policy as to all imports of crude petroleum and petroleum products, in effect, invites circumvention of the program. This is shown by the latest plans of the importing companies to increase greatly their imports of all types of refined products.

Based on scheduled imports, as submitted to the Texas Railroad Commission in June with provision for petroleum product imports not reported to the commission, the present outlook for the third quarter of 1958 may be summarized as follows:

(The table is as follows:)

United States petroleum product imports

[Thousand barrels daily]

	Residual fuel	Other products	Total products
3d quarter 1954	255	42	297
3d quarter 1957	351	75	426
3d quarter 1958	460	152	612
Percent increase:			
1958 over 1954	80.4	261.9	106.1
1958 over 1957	31.1	102.7	43.7

Senator KERR. That is products only?

Mr. WOOD. That is products only.

Reductions in crude oil imports since the third quarter of 1957 under the voluntary control plan have been largely offset by increases in imports of refined products. The largest percentage increases in scheduled product imports for the third quarter of 1958 are in products other than residual fuel oil.

Imports of these other products are scheduled at least twice the rate of last year and almost four times the 1954 level. Imports of residual fuel oil also show a substantial increase. In view of the low demand for this product, both because of the summer period when consumption declines seasonably and because of reduced demands resulting from the business recession, there is every reason to question whether these imports are residual fuel oil in fact or whether they are being used for other purposes to circumvent the program.

Scheduled imports for the third quarter of 1958 show an increase of 31 percent for crude oil over the same period in 1954 while total imports of residual fuel and other products are scheduled at more than twice the 1954 level.

A further and recent indication of the inadequacy of the voluntary plan is the suit filed by Eastern States Petroleum & Chemical Corp. challenging the legality of the entire program and seeking an injunction against the Government.

This suit emphasizes the need for action by the Congress to establish beyond question legal limitations on oil imports. A program determined to be essential in the interest of national security should not be subject to question as to its legality. Neither should it be dependent upon voluntary cooperation on the part of those who have large economic interests in increasing imports of foreign oil.

To illustrate the impractical and unsound aspects of relying on voluntary action by those with private interests in imported oil, the Gulf Oil Corp.'s statement submitted to this committee on June 23 concluded that, under the conditions that existed during the past 9 years—

it is impossible to hold that imports are injuring the domestic industry, or that through such injury imports are threatening the national security.

That is Gulf's statement.

Further, Gulf Oil concludes that:

> In order to support the national economy and maintain the national security, we will inevitably depend more and more on imported petroleum.

These conclusions are in direct conflict with the Government's findings on which the voluntary plan is based.

They violate the intent and the spirit of any program to limit imports in relation to domestic production. The Gulf Oil Corp., one of the largest importers and one of the largest owners of huge low-cost foreign reserves, has engaged in a deliberate campaign of casting doubt on the Government's decision to limit oil imports and discrediting the ability of the domestic industry.

It is both unsatisfactory in practice and unsound as a matter of policy to base a program involving the national security on voluntary compliance by those who frankly admit conflicting views and interests.

In conclusion, I would like to point out that every possible effort has been made during the past years to prevent excessive oil imports, short of specific legislation.

The need for such legislation is clear. It is justified by the necessity to preserve our security in a commodity that is indispensable to our economy and our defense. We simply cannot afford to place the American consumer and our military forces in a position of dependency on foreign oil, subject to incidents such as the expropriation of American properties in Mexico, the sinking of tankers from Venezuela during World War II, the nationalization and subsequent shutdown of Iranian production in 1951, or the most recent and dramatic crisis resulting from the closing of the Suez Canal.

The essentiality of maintaining adequate supplies of oil within the United States is now generally accepted.

The importance to national security was reemphasized on April 25, 1958, by Rear Adm. E. C. Stephan in a letter to Hon. Wilbur D. Mills, chairman of the Ways and Means Committee.

This letter read in part as follows:

> Recent developments in the Middle East vividly demonstrate the folly of depending on foreign oil to supplement local supplies even in peacetime. It would obviously be extremely dangerous to rely on foreign sources of supply in time of war.

This policy declaration is particularly significant as it was made on behalf of the Department of Defense, with the approval of the Bureau of the Budget.

The overriding consideration as to oil imports should be the best interests of national security and the American consumer. A reasonable limitation of oil imports to the 1954 ratio to domestic crude-oil production will serve the overall public interest without disrupting foreign oil operations, foreign trade in oil, or foreign relations.

With United States oil production now curtailed below the 1954 level, Canadian production during the first 3 months of 1958 shows an increase of 85 percent over 1954.

Venezuelan production shows an increase of 33 percent; and Middle East production is 50 percent greater than in 1954.

In the case of Canada, shipments of crude oil into the United States have been substantially less than the amount that could have been imported under the voluntary allocations.

The greater profits derived from Middle East and Venezuelan oil threatens the maintenance of a healthy industry both in the United States and Canada.

Unsettled conditions exist today in the Middle East, the Far East, Africa, and Venezuela. World peace seems as distant as ever before. Certainly the United Sates must remain strong and secure as to those essentials for national security and world leadership.

Certainly, too, an adequate and available supply of petroleum is one of the most important of those essentials.

Preventing excessive imports from impairing the necessary development of domestic oil supplies is a matter of public policy involving the security of the United States which justifies and requires specific action by the Congress.

Throughout the past century, adequate supplies of domestic oil have been the indispensable ingredient of our expanding economy and have been the bulwark of our security in World War I, World War II, the Korean conflict and the Suez dispute.

I respectfully urge that we ask ourselves where we would be today without that assured supply of oil and what is our future unless we preserve our strength and self-sufficiency as to petroleum.

Senator KERR. Thank you very much, Mr. Wood.

If there are no questions, we will hear from Mr. Paul Schultz.

(The documents referred to are as follows:)

STATEMENT BY ROBERT L. WOOD, CHAIRMAN, EXECUTIVE COMMITTEE, INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

My name is Robert L. Wood. My home is Midland, Tex., where I am an independent oil producer and drilling contractor. I appear before this committee as chairman of the executive committee and immediate past president of the Independent Petroleum Association of America, a national association of oil and gas producers, and land and royalty owners. The members of the association drill more than three-fourths of all oil and gas wells in the United States and produce more than 2 million barrels daily of crude oil, representing more than one-third of all domestic production in the producing areas in 31 States.

I appear before this committee to urge, in the interest of national security, that oil imports be limited by an amendment to the Trade Agreements Act, as proposed in the amendment introduced by Senator Long, of Louisiana, and joined in by 17 cosponsors, as follows: Anderson (New Mexico), Barrett (Wyoming), Beall (Maryland), Chavez (New Mexico), Ellender (Louisiana), Hoblitzell (West Virginia), Langer (North Dakota), McClellan (Arkansas), Mansfield (Montana), Martin (Pennsylvania), Monroney (Oklahoma), Murray (Montana), O'Mahoney (Wyoming), Revercomb (West Virginia), Schoeppel (Kansas), Watkins (Utah), and Young (North Dakota).

As industry representatives we in IPAA feel that one of our primary responsibilities is to keep the Government, and the public as well, informed as to those conditions which could impair national security by threatening the industry's ability to supply this Nation's petroleum requirements both in peace and war.

JUSTIFICATION FOR SPECIFIC LEGISLATION AS TO OIL IMPORTS

This proposed amendment applies directly and specifically to imports of crude petroleum and products derived therefrom. In this connection, I appreciate the preference for dealing with foreign trade matters through broad policies rather than through treatment of individual commodities. In the case of oil imports, however, the conditions are such that there is both justification and need for individual and specific treatment.

First, oil is one of the basic materials most essential to our standard of living and our security. We must have adequate and available supplies at all times.

Second, the nature of oil and the processes by which it is found, developed, and made available for use, make it impractical to stockpile or subsidize this product as a safeguard against emergencies. Experience has shown that we must have a vigorous and expanding industry capable of meeting both peacetime and emergency requirements.

Third, the Congress gave specific recognition of the oil-import problem in adopting the defense amendment in the 1955 extension of the Trade Agreements Act. The report of the Senate Finance Committee at that time quoted the February 1955 recommendation of the special Cabinet Committee that oil imports should not exceed the 1954 ratio to domestic production, with the clear intent that the defense-amendment authority in the case of oil be used to limit imports within that relationship.

Fourth, the defense amendment has been applied only to oil imports, with the Director of Defense Mobilization advising the President on April 23, 1957, that he had reason to believe that crude oil was being imported into the United States in such quantities as to threaten to impair the national security.

Fifth, only in the case of oil imports has the executive branch of our Government determined (*a*) that there is a direct relationship between the Nation's security and adequate and available supplies, (*b*) that it is essential to follow a policy which will encourage continuation of free-enterprise exploration and development in the United States at a rate consistent with the demands of a growing economy, and (*c*) that there must be a limitation on imports that will insure a proper balance between imports and domestic production so as to encourage adequate exploration and development in the United States commensurate with the growth in national requirements.

Finally, the problem of excessive oil imports is not new. In fact, it is doubtful if any single issue has been more prominently before the Congress in connection with foreign-trade legislation. In addition, during recent years, it has been a matter of direct concern at the highest levels of the executive branch of our Government. As president of the Independent Petroleum Association of America, I devoted most of my time during the past 2 years in the efforts that have been made to solve this problem through industrial statesmanship under existing laws.

I believe that I speak with some authority, from this experience, when I respectfully urge further legislation to prevent excessive imports from impairing the availability of adequate domestic oil supplies.

EFFECT OF OIL IMPORTS

I want to make it clear that we do not attribute all the unhealthy conditions that exist today to excessive imports. We recognize the effects of the business recession on the demands for petroleum and other factors that require adjustments in the industry's operations. Neither do we oppose all imports. We do not seek the elimination of imports or the disruption of healthy foreign trade in petroleum. That has never been the issue, and is not the issue today. Instead, we seek a definite national policy as to oil imports, established by the Congress, to assure the adequate development of domestic resources. We seek a reasonable balance between imports and domestic supplies so that both may expand in relation to the growth in United States oil requirements.

Historically, this Nation has been secure and self-sufficient in the petroleum supplies so vital to an expanding economy and defense. Today, we are in critical danger of losing that position of strength and world leadership through unnecessary and unsound dependency on uncertain sources of foreign oil supply. Other witnesses will document the critical condition that now exists in the domestic petroleum industry. Briefly, domestic oil production continues to be drastically and progressively curtailed. Since February of this year, United States crude-oil production has been reduced to an average of about 6,250,000 barrels daily, a reduction of 1,500,000 barrels daily below the peak reached in March 1957 and about 100,000 barrels daily less than the 1954 average. This affects employment, as industry experience shows 1 employee in the producing branch of the industry for each 20 barrels per day of United States oil production. Economic conditions are greatly depressed in the face of restricted production and higher costs. In short, it is a losing proposition today to find, develop, and produce domestic crude oil in competition with the excessive quanti-

ties of imported oil. To illustrate, the average production from domestic wells is about 13 barrels per day per well. With Middle East wells averaging more than 5,000 barrels per day per well, one well in the Middle East produces as much as 400 average wells in the United States.

A most critical situation confronts domestic producers insofar as obtaining funds to carry out a sustained exploration program. Lending institutions are frankly hesitant to advance moneys for development wells when the period of payback is so indefinite. Without any assurances as to how much oil a well will be allowed to produce, these lending institutions are not inclined to make funds available for development programs. The long years required to explore for, drill, and develop oil properties make it essential, if financing for this work is to be made available, that positive steps be taken to assure producers that the same ground rules will apply over a period of years insofar as imports of crude and products are concerned.

The uncertainty and the unhealthy economic conditions in the domestic industry are reflected in a continuing decline in exploration and drilling and a failure to increase proved reserves in keeping with the increase in oil demands. The number of exploratory crews active in the United States has decreased by more than 30 percent in the past 5 years. The number of active drilling rigs has declined about 30 percent in the past 2 years. Total well completions in 1958 are at the lowest rate in 6 years. Wildcat drilling in search of new reserves has shown a particularly sharp decrease in the past 2 years. As a result, production in 1957 exceeded the amount of new oil found for the first time since World War II and our proved reserves of crude oil on January 1, 1958, were less than on January 1, 1957. These trends threaten our self-sufficiency and our future security as to the supplies of oil so vital to our mobilization base.

The welfare of thousands of communities dependent on oil and gas production throughout more than half of the States is being undermined. Reductions in State revenues from oil and gas production, for the support of the schools, hospitals, and other public institutions, are creating serious problems for local and State governments. Petroleum production, which has been contributing more value to the United States economy than all other domestic mineral fuels and metals combined, has been seriously curtailed and results in reduced purchasing power for other goods produced by other industries throughout the United States. This situation aggravates the current slump in general business activity. If continued, the domestic petroleum industry will be weakened to such an extent that dependency on foreign oil will no longer be a matter of choice, but a grim necessity.

UNITED STATES FOREIGN TRADE IN OIL

As previously pointed out, the unhealthy conditions in the domestic oil-producing industry cannot be attributed entirely to excessive imports. The facts show, however, that increasing imports and decreasing exports have been a major factor that threatens to lead this Nation inevitably into a position of dependency on uncertain foreign sources of oil supply.

Imports have increased not only in total quantity but also in relation to the domestic production and the domestic demand. Year after year, imports have absorbed a larger and larger share of the United States market. It is important to recognize that increased imports have not been a matter of necessity. These imports displaced available domestic production and have now reached the point where the domestic industry has approximately 33 percent of its capacity shut in for lack of market.

A summary of petroleum imports and the relationship of imports to domestic production is set forth in the table following:

United States petroleum imports, United States crude oil production, and relationship of imports to production, 1936–58

[Imports and production in thousands of barrels per day]

	Petroleum imports				Crude oil production	Ratio of total imports to production
	Crude oil	Residual fuel oil	Other products	Total		
						Percent
Prewar average, 1936–41	89	66	16	171	3,474	4.9
War average, 1942–45	99	78	32	209	4,301	4.9
Postwar:						
1946	236	122	19	377	4,751	7.9
1947	267	149	21	437	5,088	8.6
1948	353	146	15	514	5,520	9.3
1949	421	206	18	645	5,047	12.8
1950	487	329	34	850	5,407	15.7
1951	491	326	27	844	6,158	13.7
1952	573	351	28	952	6,256	15.2
1953	648	360	26	1,034	6,458	16.0
1954	656	354	42	1,052	6,342	16.6
1955	782	417	49	1,248	6,807	18.3
1956	934	445	57	1,436	7,151	20.1
1st half 1957	937	520	64	1,521	7,492	20.3
Last half 1957	1,107	429	83	1,619	6,852	23.6
1st half 1958	920	535	105	1,560	6,460	24.1

Source: U. S. Bureau of Mines. Prepared by the Independent Petroleum Association of America, June 1958.

I would like to call the attention of the committee to the fact that imports of crude oil and refined products have increased steadily and substantially throughout the period since World War II. The ratio of these imports to domestic crude oil production increased from less than 5 percent to 16.6 percent in 1954. Instead of being limited to the 1954 relationship, as recommended by the Cabinet Committee in 1955, the ratio has continued to increase to 24.1 percent for the first 6 months of 1958.

In contrast to the trend in imports, United States exports of petroleum have declined. This means that the domestic industry has been losing out in the foreign market as well as in the home market. This history of United States exports is summarized in the following table:

	Total petroleum exports (barrels daily)	Relationship of exports to domestic crude oil production (percent)		Total petroleum exports (barrels daily)	Relationship of exports to domestic crude oil production (percent)
1935–39	447,000	13.9	1955	367,000	5.4
1940–45	409,000	9.2	1956—1st half	323,000	4.5
1946–51	382,000	7.2	2d half	[1] 536,000	7.5
1952	432,000	6.9	1957—1st half	[1] 766,000	10.2
1953	401,000	6.2	2d half	361,000	5.3
1954	355,000	5.6			

[1] Includes emergency shipments to Europe during Suez crisis.

This history of petroleum exports shows that whereas the United States prior to World War II enjoyed an export market equal to 13.9 percent of domestic crude-oil production, today that market constitutes about 5 percent.

As a result of imports increasing, whereas exports have decreased, the United States has shifted from a position of a net exporter to a substantial net importer. During the prewar period, 1935–39, the United States was a net exporter to the extent of 294,000 barrels daily. During the last half of 1957, we were a net importer by about 1,250,000 barrels daily. This change from a net exporter, in the prewar years, to an increasing net importer has meant a loss of market for United States production amounting to about 1,550,000 barrels daily or almost 25 percent of current production.

DOMESTIC OIL'S CONTRIBUTION TO WORLD TRADE

Petroleum and petroleum products have accounted for a steadily declining percentage of total United States exports. While at the same time oil has accounted for a steadily increasing share of total United States imports. The following table shows these contrasting trends:

	Exports of petroleum and products as percent of value of total exports of United States merchandise	Imports of petroleum and products as percent of total value of United States imports for consumption
Average, 1936-40	10.9	2.0
Average, 1941-45	5.8	2.7
Average, 1946-50	4.8	5.8
Average, 1951-55	4.7	7.3
1956 [1]	4.0	10.2
1957 [1]	4.8	12.0

[1] Affected by Suez crisis.

The petroleum industry recognizes the important role of international trade. However, let's take a look at the relative position of oil in total United States foreign trade for 1957 and compare this with 1934, the year the trade-agreement program was authorized. In 1957 oil imports were valued at about $1.5 billion or 12 percent of the total value of all imports of all commodities. In 1934 these figures were $36 million or 2 percent of this Nation's import trade. Obviously, oil has already contributed a substantial and increasing share of the total United States import trade. This one industry, so vital to national security, should not be expected to contribute to increasing international trade beyond the point that endangers the maintenance of adequate domestic supplies.

It is submitted that this history shows that oil has more than done its part in encouraging world trade. To further the extent of contribution petroleum has made since 1939, the date of the original Venezuela agreement, total annual dollar value of petroleum imports has increased more than 35 times from approximately $40 million to about $1.5 billion in 1957.

EXPERIENCE UNDER ESCAPE-CLAUSE AND PERIL-POINT PROVISIONS

The sharp increase in oil imports during the years 1946 to 1954 became a matter of serious concern both within the petroleum industry and in the Government. On numerous occasions during that period, the Independent Petroleum Association of America called attention to the fact that this trend was leading the United States inevitably into a position of dependency on foreign sources of oil. The association sought corrective action under the escape-clause provisions of the Trade Agreements Act and also under the peril-point procedure established by the Congress.

In 1949, our association filed an escape-clause application with the United State Tariff Commission for an investigation of injury and threatened further injury to the domestic petroleum industry resulting from concessions made in foreign trade agreements.

This application was turned down. In its ruling denying and dismissing the application for an investigation, the Commission stated, "The present situation with respect to [oil] inventories, which has resulted in some *current* scaling down of both production and imports, thus appears to have been due almost wholly to factors other than past changes in duty." [Italic added.]

The record discloses that there was no "scaling down" of imports. In fact, during 1948, average daily imports were 514,000 barrels. In 1949, the year the application was turned down, average daily imports were up 131,000 to 645,000 barrels per day. This, we feel, manifestly was an administrative abuse, which demonstrates the need for a definite policy as to oil imports.

In 1951, the peril-point provision was reenacted into law. In 1951, IPAA urged that no further reductions be made in the excise tax on petroleum imports, and that the excise tax levels established by Congress in 1932 be restored to avoid further serious injury to domestic oil producers.

As a result of its investigation, the Tariff Commission divided equally on the proper peril point for the oil import tax. The President, however, disregarded

the peril-point findings of both groups of Commissioners and established his own peril-point findings which was lower than the peril points set by either group of the Commissioners. Obviously, in the opinion of the Commission, the peril point was no lower than the lower of the divided recommendation. This again demonstrates the need for congressional action that will clearly define the standards that should be applied in the interest of national welfare and security.

JUSTIFICATION FOR LIMITING IMPORTS TO 1954 RELATIONSHIP

The problem of oil imports, and their effect upon the domestic petroleum industry and national security, was one of the primary reasons that caused President Eisenhower to establish a special Cabinet Committee in July 1954. A comprehensive study was conducted by the Cabinet Committee with the unmistakable goal of maintaining adequate defense fuel supplies within the United States. This was made clear in the White House announcement defining the Cabinet Committee's objective as follows:

"* * * to evaluate all factors pertaining to the continued development of energy supplies and resources and fuels *in the United States*, with the aim of strengthening the national defense, providing orderly industrial growth, and assuring supplies for our expanding national economy and for any future emergency." [Italic supplied.]

Within this concept, oil imports became a problem of major concern to the Committee. In its conclusion, this Committee recognized that the import problem was a defense problem and made the specific recommendation in its report of February 1955 that petroleum imports should be limited to their 1954 relationship to domestic crude-oil production, in the interest of national security.

Giving emphasis to the defense nature of this recommendation, the Committee concluded that if imports should exceed this standard, "* * * the domestic fuels situation could be so impaired as to endanger the orderly industrial growth which assures the military and civilian supplies and reserves that are necessary to the national defense."

At the time the Cabinet Committee made its recommendations, the domestic petroleum industry and many in the Congress were supporting legislation which would have limited oil imports to 10 percent of domestic demand, as compared with the 1954 ratio of 13.6 percent between imports and domestic demand. Many in the industry and in the Congress felt that the Cabinet Committee's recommendation that future imports be based on the year 1954 constituted an overly liberal formula.

However, many in Congress who were supporting the Neely amendment accepted and supported the Cabinet Committee's findings. Most domestic oil producers also supported the Cabinet Committee standard, because, in principle, it would have accomplished the same basic objective as the Neely amendment. That objective was, and is, to stabilize petroleum imports and thereby prevent increasing dependency on foreign oil.

Therefore, a general area of agreement on a basic principle existed in the domestic industry and in both the executive branch of Government and the Congress. Consideration of the Neely amendment, and the coincident findings of the Cabinet Committee as to oil imports, constituted a major basis for the adoption by Congress of section 7, or the defense amendment, to the Trade Agreements Extension Act of 1955.

It is our position that the clear and unmistakable legislative intent of the defense amendment, as applied to petroleum, is that the national security is impaired when ever imports of crude oil and refined products are in excess of the 1954 relationship to domestic oil supplies. It is our further position that developments since the adoption of the defense amendment clearly support and justify the 1954 relationship as the basic standard for limiting oil imports in the interest of national security.

On July 30, 1955, shortly after the enactment of the defense amendment, 27 Members[1] of the Senate addressed a letter to the Office of Defense Mobilization reading in part, as follows:

[1] Allott (Colorado), Anderson (New Mexico), Barrett (Wyoming), Bender (Ohio), Bible (Nevada), Capehart (Indiana), Case (South Dakota), Chavez (New Mexico), Curtis (Nebraska), Daniel (Texas), Dirksen (Illinois), Goldwater (Arizona), Jenner (Indiana), Kerr (Oklahoma), Kilgore (West Virginia), Langer (North Dakota), Long (Louisiana), Mansfield (Montana), Martin (Pennsylvania), Monroney (Oklahoma), Neely (West Virginia), O'Mahoney (Wyoming), Schoeppel (Kansas), Scott (North Carolina), Welker (Idaho), and Young (North Dakota).

"In adopting the national defense amendment one of the principle factors considered by the Congress was the problem created by the large and increasing importation of foreign oil into the United States. In this connection the Congress gave particular attention to the findings of the Cabinet Committee, that in the interest of national defense oil imports should not exceed significantly the ratio that these imports bore to the production of domestic crude oil in 1954.

"The legislative record of the Trade Agreements Extension Act in the Senate Finance Committee and in the Senate itself shows that the new provision of the act was adopted in the light of assurances that the executive branch of the Government would take action under this new authority to assure that oil imports would not exceed the levels recommended by the Special Cabinet Committee. In the case of oil imports, therefore, the executive and legislative branches of Government are in agreement, without the need for further study as to specific standards to be applied in implementing the policy contained in the national defense amendment."

On July 27, 1956, 31 Members[1] of the Senate addressed another letter to the Director of Defense Mobilization which also made clear the intent of Congress in adopting the defense amendment. That letter stated, in part, as follows:

"In a letter to you on July 30, 1955, signed by several Members of the Senate, it was pointed out that section 7 of the Trade Agreements Extension Act of 1955 was adopted in the light of assurances that the executive branch of the Government would take action under this authority to assure that oil imports would not exceed the 1954 relationship to domestic production. Responsibility for initiating such action has rested with your office.

"It is our understanding that oil imports have continuously exceeded the 1954 ratio to domestic production, and that these excesses have been increasing despite the efforts by your office during the past year to obtain a voluntary restraint on these imports through a number of appeals to the importing companies. It is our further understanding that the future programs of these companies, as submitted to the Texas Railroad Commission, show greater excesses in scheduled imports at a time when domestic production is being curtailed. In short, no evidence is available to us that oil imports have been, or are being, restricted within the limits determined to be necessary in the interest of national defense.

* * * * * * *

"As Senators interested in assuring that oil imports do not impair the necessary development of domestic fuel resources, we would appreciate any further advice or information you can furnish us as to this matter, including whatever assurances you can give us that action will be taken to carry out the intent of the defense amendment to hold oil imports to the 1954 relationship."

The record of legislative history is clear. It is definite that the Congress intended that the 1954 relationship between oil imports and domestic oil production should be the standard for limiting imports in the interest of national security.

Under the authority of the defense amendment provided by the Congress, the executive branch of Government gave continuing and close attention to the oil import problem throughout 1955, 1956, and 1957. On a number of occasions the Director of Defense Mobilization, speaking for the Special Cabinet Committee, requested reductions in oil imports on a voluntary and individual basis by the importing companies. It was made clear that the ultimate and basic objective was to maintain the 1954 relationship so as to prevent excessive imports from impairing domestic oil supplies and national security.

For example, on September 13, 1955, the Director of Defense Mobilization released a letter sent to importing companies, regarding information furnished to ODM, reading in part as follows:

"From the information furnished me it has been possibl eto reach some conclusions about progress toward the standard set by the Committee, namely, that imports of crude and residual oils preserve the respective proportions that those imports bore to the production of domestic crude oil in 1954.

"It appears that while domestic crude production increased slightly over 5 percent in the first 7 months of 1955 over the level of production in 1954, the

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[1] Allot (Colorado), Anderson (New Mexico), Barrett (Wyoming), Beall (Maryland), Bible (Nevada), Capehart (Indiana), Carlson (Kansas), Case (South Dakota), Chaves (New Mexico), Clements (Kentucky), Curtis (Nebraska), Daniel (Texas), Dirksen (Illinois), Ellender (Louisiana), Goldwater (Arizona), Humphreys (Kentucky), Jenner (Indiana), Kerr (Oklahoma), Laird (Wisconsin), Langer (North Dakota), Long (Louisiana), Martin (Pennsylvania), Mansfield (Montana), Monroney (Oklahoma), Murray (Montana), McClellan (Arkansas), Neely (West Virginia), Schoeppel (Kansas), Scott (North Carolina), Welker (Idaho), and Young (North Dakota).

imports of crude oil increased nearly 15 percent and the imports of residual oil increased over 23 percent. Half of the companies reporting imports of crude oil exceeded the ratio recommended by the Committee and three quarters of the companies reporting imports of residual oils exceeded that ratio.

"The statements of policy which the reposting companies made concerning future imports make it clear that, unless policy changes take place, the imports for the next several months will continue to be substantially in excess of the Advisory Committee's standard."

After efforts to reduce imports by requests to the importing companies, the Director of Defense Mobilization released a statement on June 26, 1956, containing the following conclusion:

"The Presidential Advisory Committee on Energy Supplies and Resources Policy has just completed a study of the plans for the importation of crude oil into this country during the third quarter of this year. If these plans are carried out, the quantities imported will be considerably in excess of the formula recommended by the Committee in February 1955."

Later, the President of the United States in his memorandum of October 12, 1956, to the Director of Defense Mobilization, calling for a study of tanker construction to assure adequate petroleum supplies for the free world, stated, in part, as follows:

"The study should proceed, of course, on the assumption that plans which are developed are to be consistent with the request that you have made to oil importers to voluntarily keep imports of crude oil into this country at a level where they do not exceed significantly the proportion that imports bore to the production of domestic crude oil in 1954."

On February 5, 1957, the Director of Defense Mobilization testified at a Senate hearing in part as follows:

"And so we said that we felt that the oil imports should be related to the domestic production, and we suggested that the proportionate relationship that existed in 1954 should be the goal and the objective of the Government and of the industry.

"We appreciated the difficulties that are involved in taking a historical base for approaching a problem of this kind, but after considering a great many other approaches we decided that this would be the best.

"We urged the companies to accept this on a voluntary basis. We said, however, that if companies did not accept it on a voluntary basis, we felt that the Government would be under obligation to consider what appropriate action could or should be taken."

* * * * * * *

"Now, after the passage of section 7 of the Trade Agreements Act, you will recall that I took various steps in an effort to determine whether or not we could obtain voluntary action on the part of the oil companies that would result in maintaining that proportionate relationship. The chairman in his opening statement referred to the fact that we had a voluntary agreement. I am afraid I will have to say that I never obtained an agreement on the part of the oil companies in this particular instance. But we did start on what we thought was an orderly procedure.

"First of all, we issued a letter stating that we were going to ask them to file reports with us regularly so that we would have the basic information on which we would determine what action should be taken.

"In the second place, after getting some of those, or getting the initial reports, we wrote to them and indicated that their reports indicated that they were not going to achieve this objective of the 1954 proportionate relationship. We made specific suggestions as to what they could do to reach that particular objective. We asked them to let us know whether or not they would do that."

As these references show, the executive branch of Government recognized the congressional intent that oil imports should not be permitted to exceed the 1954 relationship.

VOLUNTARY PLAN TO LIMIT IMPORTS

As a consequence of increasing imports relative to domestic production, a formal petition was filed in August 1956 by the Independent Petroleum Association of America, requesting action under section 7 of the Trade Agreements Extension Act of 1955. Hearings were held on this petition in October 1956 but action was suspended as a result of the Suez crisis that disrupted the world

flow of oil with some temporary decreases in United States oil imports and a substantial increase in oil exports for emergency shipment to Western Europe.

Following the settlement of the Suez dispute in 1957, oil imports again increased sharply. On April 23, 1957, the Director of Defense Mobilization certified to the President that imports were a threat to national security.

On June 26, 1957, the following telegram was sent to the President of the United States by 32 governors,[3] meeting at the governors' conference in Williamsburg, Va.:

"Because foreign oil imports are far in excess of the 1954 ratio above which your Cabinet Committee on Fuels Policy found that the security of the Nation would be endangered and because these excessive imports are seriously damaging the conservation and taxation program of many of our States and causing curtailment in exploration and development of new domestic reserves essential to the economy and security of the Nation, we the undersigned governors urge your prompt action under the Reciprocal Trade Act to limit oil imports to the 1954 ratio."

On the same day, President Eisenhower initiated a new Cabinet-level study of the import problem. As a result of the critical threat to security, the President's Special Committee To Investigate Crude Oil Imports submitted recommendations, approved by the President on July 29, 1957, calling for a reduction in imports and establishing specific limitations for each importing company for all crude-oil imports except those being brought into the United States west coast. The basic policy conclusions in that report demonstrate conclusively that oil imports must be limited in the interest of both the national security and the consuming public. In December 1957, this import program was extended to cover imports into the United States west coast. Importing companies were requested to comply with this program on a voluntary basis, but the Cabinet Committee also recommended to the President that "* * * unless the importing companies comply voluntarily with the import limitation plan hereinafter set forth, you find that there is a threat to national securiy within the meaning of section 7 of the Trade Agreements Extension Act of 1955."

On March 27, 1958, the Cabinet Committee reduced the voluntary allocations for crude-oil imports into all areas except the west coast, and the Government was directed not to purchase petroleum products in the United States made in whole or in part from imported crude oil from any company that was not complying with the voluntary import plan.

On June 4, 1958, with Presidential approval, the Cabinet Committee recommended that importing companies voluntarily limit their imports of unfinished gasoline and other unfinished oils to the currently prevailing level.

EXPERIENCE UNDER VOLUNTARY IMPORT PLAN

Under the voluntary import program, progress has been made in restricting crude-oil imports, which have been reduced by more than 250,000 barrels daily from the peak level of about 1,200,000 barrels daily reached in the third quarter of 1957. This program on crude-oil imports, however, continues to exceed the 1954 relationship by more than 200,000 barrels per day for crude-oil imports, with no limitations on imports of refined products excepting for unfinished oils which it was recently announced will be limited to current levels. Recent and current levels of imports in relation to United States domestic oil consumption are summarized in the following tabulation:

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[3] Daniel of Texas, Gary of Oklahoma, Docking of Kansas, Russell of Nevada, MacFarland of Arizona, Stepovich of Alaska, Davis of North Dakota, Faubus of Arkansas, Folsom of Alabama, Coleman of Mississippi, Simpson of Wyoming, Rossellini of Washington, McNichols of Colorado, Clyde of Utah, Holmes of Oregon, Timmerman of South Carolina, Griffin of Georgia, Foss of South Dakota, Chandler of Kentucky, Aronson of Montana, Long of Louisiana, Stratton of Illinois, Loveless of Iowa, Smylie of Idaho, Clement of Tennessee, Anderson of Nebraska, Hodges of North Carolina, Blair of Missouri, Williams of Michigan, Underwood of West Virginia, Johnson of Vermont, and Handley of Indiana.

[Thousands of barrels daily]

	1954	2d 6 months, 1957	1st 6 months, 1958 (estimated)
United States crude-oil production	6,342	6,852	6,460
Crude-oil imports	656	1,107	[1] 920
Product imports	396	512	[1] 640
Total	1,052	1,619	[1] 1,560
Ratio, imports to production:			
Crude-oil imports, percent	10.3	16.2	14.2
Product imports, do	6.3	7.5	9.9
Total, do	16.6	23.6	24.1
Imports at 1954 ratio:			
Crude-oil imports		706	665
Product imports		432	407
Total		1,138	1,072
Excess imports over 1954 ratio:			
Crude-oil imports		401	255
Product imports		80	233
Total		481	488

[1] Based on actual January–April 1958, as reported by the Bureau of Mines, and scheduled imports as submitted by importing companies to Texas Railroad Commission in June 1958.

You will note that imports of crude oil and refined products are currently scheduled at about 1,560,000 barrels daily for the first 6 months of 1958. This would exceed the 1954 relationship to domestic demand by about 490,000 barrels, with about one-half of the excess being crude-oil imports.

If imports had been restricted to the 1954 relationship, total imports would be limited to approximately 1,075,000 barrels daily in the first half of 1958, composed of 665,000 barrels per day of crude petroleum and about 410,000 barrels daily of refined products.

INADEQUACY OF VOLUNTARY IMPORT PLAN

We believe that the efforts to restrict oil imports under the voluntary control program have been commendable and constructive. Even a strengthening of this program by further administrative action, however, would not remove the necessity of definite standards in the law to assure the long-range objective of maintaining adequate domestic oil supplies.

In view of present critical conditions in the industry, it is obvious that the voluntary program has not accomplished the basic objective of restricting imports to the 1954 relationship and maintaining a vigorous domestic program of oil and gas development to assure adequate domestic supplies for our expanding economy and national defense.

We believe that further action by the Congress is necessary to strengthen the oil-import policy adopted and approved by Congress, the executive branch of Government, 32 governors, and the overwhelming majority in the domestic petroleum industry

A basic inadequacy of the voluntary plan is the uncertainty that surrounds the program. Allocations are established on a short-range basis of 6 months or less. As a result, neither the domestic industry nor the importing companies have any firm basis on which to make the necessary long-range plans and investments. The findings of oil reserves, their development and production, and the facilities to process, transport, and distribute petroleum products involve major policy decisions applicable over a long period of years. This is equally true for domestic operations and foreign operations. A consistent and dependable policy as to foreign oil is a fundamental necessity to the activities of the industry and to our relations with other producing countries.

Another inadequacy of the present plan is the stopgap procedures that have been followed in the effort to avoid circumvention of the program. The failure of a few companies to comply resulted in the decision to apply a separate

authority—the Buy American Act—when direct authority to limit imports would seem to be in order in view of the fact that national security was involved. The decision to apply voluntary controls to imports of unfinished gasoline and other unfinished oils represented another piecemeal approach. The failure to establish a definite policy as to all imports of crude petroleum and petroleum products, in effect, invites circumvention of the program. This is shown by the latest plans of the importing companies to increase greatly their imports of all types of refined products.

Based on scheduled imports, as submitted to the Texas Railroad Commission in June with provision for petroleum product imports not reported to the commission, the present outlook for the third quarter of 1958 may be summarized as follows:

United States petroleum product imports

[Thousands of barrels daily]

	Residual fuel	Other products	Total products
3d quarter, 1954	255	42	297
3d quarter, 1957	351	75	426
3d quarter, 1958	460	152	612
Percent increase:			
1958 over 1954	80.4	261.9	106.1
1958 over 1957	31.1	102.7	43.7

Reductions in crude oil imports since the third quarter of 1957 under the voluntary control plan have been largely offset by increases in imports of refined products. The largest percentage increases in scheduled product imports for the third quarter of 1958 are in products other than residual fuel oil. Imports of these other products are scheduled at least twice the rate of last year and almost four times the 1954 level. Imports of residual fuel oil also show a substantial increase. In view of the low demand for this product, both because of the summer period when consumption declines seasonally and because of reduced demands resulting from the business recession, there is every reason to question whether these imports are residual fuel oil in fact or whether they are being used for other purposes to circumvent the program.

Scheduled imports for the third quarter of 1958 show an increase of 31 percent for crude oil over the same period in 1954 while total imports of residual fuel and other products are scheduled at more than twice the 1954 level. A further and recent indication of the inadequacy of the voluntary plan is the suit filed by Eastern States Petroleum & Chemical Corp. challenging the legality of the entire program and seeking an injunction against the Government. This suit emphasizes the need for action by the Congress to establish beyond question legal limitations on oil imports. A program determined to be essential in the interest of national security should not be subject to question as to its legality. Neither should it be dependent upon voluntary cooperation on the part of those who have large economic interests in increasing imports of foreign oil.

To illustrate the impractical and unsound aspects of relying on voluntary action by those with private interests in imported oil, the Gulf Oil Corp.'s statement submitted to this committee on June 23 concluded that, under the conditions that existed during the past 9 years, "it is impossible to hold that imports are injuring the domestic industry, or that through such injury imports are threatening the national security." Further, Gulf Oil concludes that: "In order to support the national economy and maintain the national security, we will inevitably depend more and more on imported petroleum." These conclusions are in direct conflict with the Government's findings on which the voluntary plan is based. They violate the intent and the spirit of any program to limit imports in relation to domestic production. The Gulf Oil Corp., one of the largest importers and one of the largest owners of huge low-cost foreign reserves, has engaged in a deliberate campaign of casting doubt on the Government's decision to limit oil imports and discrediting the ability of the domestic industry. It is both unsatisfactory in practice and unsound as a matter of policy to base a program involving the national security on voluntary compliance by those who frankly admit conflicting views and interests.

CONCLUSIONS

In conclusion, I would like to point out that every possible effort has been made during the past 4 years to prevent excessive oil imports, short of specific legislation. The need for such legislation is clear. It is justified by the necessity to preserve our security in a commodity that is indispensable to our economy and our defense. We simply cannot afford to place the American consumer and our military forces in a position of dependency on foreign oil, subject to incidents such as the expropriation of American properties in Mexico, the sinking of tankers from Venezuela during World War II, the nationalization and subsequent shutdown of Iranian production in 1951, or the most recent and dramatic crisis resulting from the closing of the Suez Canal.

The essentiality of maintaining adequate supplies of oil within the United States is now generally accepted. The importance to national security was re-emphasized on April 25, 1958, by Rear Adm. E. C. Stephan in a letter to Hon. Wilbur D. Mills, chairman of the Ways and Means Committee. This letter read in part as follows:

"Recent developments in the Middle East vividly demonstrate the folly of depending on foreign oil to supplement local supplies even in peacetime. It would obviously be extremely dangerous to rely on foreign sources of supply in time of war."

This policy declaration is particularly significant as it was made on behalf of the Department of Defense, with the approval of the Bureau of the Budget.

The consuming public has a similar interest in assuring adequate supplies of oil. The July 1957 report of the special Cabinet Committee contained the following important conclusions as to the effect of imports on consumers:

"Domestic consumers are utilizing an increasing amount of petroleum products for transportation, fuel, heating, and many other aspects of consumer life. In the event of a national emergency, it is essential to these consumers that there be adequate supplies at reasonable cost, both now and in the future. The low cost of imported oil is attractive, but excessive reliance upon it in the short run may put the Nation in a long-term vulnerable position. Imported supplies could be cut off in an emergency and might well be diminished by events beyond our control. This vulnerability could easily result in a much higher cost, or even in the unavailability, of oil to consumers. It is therefore believed that the best interests of domestic consumers, as well as of national security, will be served if a reasonable balance is maintained between domestic and foreign supplies."

The overriding consideration as to oil imports should be the best interests of national security and the American consumer. A reasonable limitation of oil imports to the 1954 ratio to domestic crude oil production will serve these public interests without disrupting foreign oil operations, foreign trade in oil or foreign relations. With United States oil production now curtailed below the 1954 level, Canadian production during the first 3 months of 1958 shows an increase of 85 percent over 1954; Venezuelan production shows an increase of 33 percent; and Middle East production is 50 percent greater than in 1954. In the case of Canada, shipments of crude oil into the United States have been substantially less than the amount that could have been imported under the voluntary allocations. The greater profits derived from Middle East oil threaten the maintenance of a healthy industry both in the United States and Canada.

Unsettled conditions exist today in the Middle East, the Far East, Africa, and Venezuela. World peace seems as distant as ever before. Certainly the United States must remain strong and secure as to those essentials for national security and world leadership. Certainly, too, an adequate and available supply of petroleum is one of the most important of those essentials. Preventing excessive imports from impairing the necessary development of domestic oil supplies is a matter of public policy involving the security of the United States which justifies and requires specific action by the Congress.

Throughout the past century, adequate supplies of domestic oil have been the indispensable ingredient of our expanding economy, and have been the bulwark of our security in World War I, World War II, the Korean conflict and the Suez dispute. I respectfully urge that we ask ourselves where we would be today without that assured supply of oil and what is our future unless we preserve our strength and self-sufficiency as to petroleum.

East Texas Oil Association, 420 Fair Foundation Building, Tyler, Tex.

Independent Oilmen & Landowners Association of North Dakota, Post Office Box 613, Bismarck, N. Dak.
Independent Oil Producers Agency, 714 West Olympic Boulevard, Los Angeles, Calif.
Independent Producers & Royalty Owners Association of New Mexico, Petroleum Building, Roswell, N. Mex.
Kansas Independent Oil & Gas Association, 226 Union Center Building, Wichita, Kans.
Kentucky Oil & Gas Association, Post Office Box 605, Owensboro, Ky.
National Stripper Well Association, 916 Ninth Street, Wichita Falls, Tex.
North Texas Oil & Gas Association, 405 City National Building, Wichita Falls, Tex.
Ohio Oil & Gas Association, Post Office Box 150, Newark, Ohio
Panhandle Producers & Royalty Owners Association, Post Office Box 631, Amarillo, Tex.
West Central Texas Oil & Gas Association, Post Office Box 2332, Abilene, Tex.

STATEMENT OF GORDON SIMPSON, PRESIDENT, INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

My name is Gordon Simpson. I reside in Dallas, Tex. My background is the law but fortuitously, I have rather drifted into administrative duties in a producing oil company and am now president of General American Oil Co. of Texas. Time was granted for my appearance before this Committee at this hearing on the extension of the trade agreements law.

At the same time, request was made for time for witnesses representing some 18 local trade associations whose members are interested in petroleum production in the United States.

The committee was unable to grant time for the apparance of all those who made requests.

In an effort to avoid repetition and at the same time reduce the time of these hearings to the minimum, we have attempted to consolidate the testimony so that it may be presented by a few witnesses. To insure as wide representation of point of view and information as possible, I have surrendered the time allotted to me to Mr. Paul R. Schultz, president of the Blackwell Oil & Gas Co., and the Oklahoma Independent Petroleum Association.

I am, therefore, filing a brief statement for the Independent Petroleum Association of America, of which I am president.

The independent oil producer specifically falls within the purview of the defense amendment to the Trade Agreements Extension Act of 1955. He has drilled more than three-fourths of all exploratory wells which have been sunk in American soil. Year by year, the oil industry has discovered more petroleum in the United States than we have used, preserving that reserve producing capacity so essential to the security of the Nation. The ability of the independent to continue his contribution to this achievement is currently being severely curtailed by a complex of factors, important and foremost among which is the excessive importation of foreign petroleum and its products.

For the year 1957, the trend of discovery has been checked. Every year from 1939 until then, except for the war year of 1948, we found more oil than we consumed. In 1957 we consumed some 850 million barrels more than we found.

The decline in domestic exploration and discovery does not at all mean that we are running out of oil; rather it means we are running out of incentive to find it. The necessity to reduce our crude oil production because of excessive supply has forced the producers in the State of Texas to limit their production to 8 days a month for 3 months of this year. This reduction, although currently increased to 9 days for the month of July, has been accompanied by price reductions justifiable only on the grounds of excess supply, largely from imports. This is a bleak outlook indeed.

All these factors contribute alarmingly to a very real danger and present a threat to our national security. Dependence on overseas oil now available in such abundance is illusory and extremely risky when we reflect that in case of war, our enemy may effectively deny us access to those supplies. The Suez incident is a convincing case in point. All will agree, I am certain, that we cannot afford to play Russian roulette with our national security. It is imperative that we insure for our Nation an adequate supply of domestic oil to provide

energy for the sinews of war as well as the ongoing of those industries which are indispensable in such an emergency.

There is no munition of war more important than oil. We remember how gasoline propelled the tanks of the United States and its allies when in 1918 they broke the Hindenburg line. And we recall how over two-thirds of all tonnage of materials of war we shipped to Europe in World War II was petroleum products, products that powered the amazing tank columns of General Patton who demonstrated what "blitzkrieg" really meant; that kept our war planes aloft in increasingly dominant numbers; that in general furnished the energy which made our European expeditionary forces and those of our allies so mobile and ultimately so victorious. The same story may be told of the vast and victorious actions in the Pacific. Perhaps in a way of speaking it would not be improper to say that oil won the wars; certainly it is accurate to assert that we could not have won them without it. And by that I mean domestic oil adequate to, and available for our every military need.

Now I turn more specifically to the matter before the committee. As I understand it, the question is generally, shall the President's authority under the Trade Agreements Act be extended and of more particular concern to us, shall the defense amendment to that act be amended to provide specific standards as to petroleum imports.

The measures taken by the administration pursuant to the terms of the defense amendment to arrest excessive importation of foreign oil have been most helpful and the independent oil producers are especially grateful for the wisdom and earnestness of those efforts. No criticism of the wise and able handling of the voluntary imports curtailment plan is intended or even implicit in this presentation. But the time has now come when more stringent steps are needed to cope with a rapidly deteriorating condition which immediately and really threatens the ability of the independent producer to continue to operate, to continue the search for this munition of war he has historically found in such abundance, one so vital for our very survival in case of an all-out war.

The need for these more stringent steps arises from the inadequacy of the voluntary plan effectively to cope with the imports problem. The matters which have been presented to you by other witnesses from the industry argue this point well. The observance by the vast majority of the importing companies of the voluntary quotas alloted to them demonstrates the patriotism and business statesmanship of the management of those concerns. May I pay them a tribute for these attitudes. But the disregard of the plan by a few gives rise to an unfair even intolerable, situation. It underscores that the curtailment of petroleum imports to a definite and specific reasonable level should be done under specific legislative standards. Not only to succor the independent producer who has his back to the wall, but in fairness to the companies complying with the voluntary plan, present and future recalcitrants, we submit, must be forced by law to accept their fair share of the responsibility for the Nation's security.

The recent threat to the program now in effect, resulting from pending litigation challenging the legality of the procedures now being used coupled with the current announcement of plans greatly to increase products imports in such a manner as to evade the effectiveness of the program, causes a dramatic change in the status of this whole program.

These new threats which have developed since the improved authority provided in the bill as it passed the House, in my opinion, make it doubly necessary that the Senate now review the entire program with a view of adopting such measures as may be necessary effectively to limit imports of petroleum to a reasonable level.

I recognize the difficulty of separately legislating on single commodities.

I also recognize the difficulty and impropriety of representatives of one industry presuming to advise this committee on legislation that may directly concern one or more other industries about which we have little or no competence or experience.

We have, therefore, suggested procedures under which we belive the petroleum industry can perform the best service to our economy and to our Nation's security.

During the consideration of the trade agreements extension in the House, language was adopted in lieu of section 7 of the present act. We understand that language was designed to provide more definite standards for the administration of the authority granted.

We believe the action in the House improved the language. Clear language requiring mandatory controls has not yet been written into the law.

We have approved the amendment offered by Senator Long and Senators associated with him. We believe all of the facts will support this position—that definite levels should be provided so as to maintain a proper relationship between imports of oil and its products and domestic production.

This maximum level of imports as to oil and refined products is so well imbedded in study of this problem by both Congress and the administration that we think it a fair, a minimum criterion to insert in the act. It occurs to us sound policy for the Congress to prescribe a criterion when it is delegating responsibility. Likewise, it occurs to us that the administration should welcome this kind of legislative aid in making its determinations under the act. It should be added, however, that we would consider it desirable to provide in any such legislation that the criterion thus laid down might, should the public interest require, be suspended by the President in the event of any shortage of domestic supply.

When we consider the peculiarly strategic nature of petroleum in relation to national security, and the fact that excessive oil imports have already been determined to be a threat to security, prescribing a definite criterion is only giving legislation effect to an accepted and basic defense policy.

These approaches toward the grave and emergent problems facing the independent oil producer are not at all offered dogmatically but in the hope that we can contribute something toward a proper solution. Other approaches are sure to be suggested. We consider our own recommendations fair, reasonable, and effective. However, any other fair and reasonable approach would certainly be satisfactory to us.

Mr. Chairman and gentlemen of the committee, the independent oilmen who have drilled 80 percent of the exploratory wells sunk in American soil, who have factored so materially in finding and having available the petroleum the Armed Forces of the Nation required in two World Wars, these independents are threatened with the real and present specter of being forced out of business because of the importation of foreign oil and its products which is supplanting, not supplementing, domestic production. We submit the national security is imperiled because of this situation.

May I thank the committee for this opportunity to present these views.

Senator KERR. The Senator from Oklahoma.

STATEMENT OF HON. A. S. MIKE MONRONEY, A UNITED STATES SENATOR FROM THE STATE OF OKLAHOMA

Senator MONRONEY. In the interests of saving time, I wonder if I might have permission to file my statement to be printed in the record.

Senator KERR. I did not know the Senator wanted to appear. I would be delighted to have him appear.

Senator MONRONEY. I would like to elaborate my views in a statement which I would like to have printed in the record.

Senator KERR. I want to say my distinguished colleague is one of the authors of the amendment that is before the committee and we are glad to have your statement.

(The statement is as follows:)

STATEMENT OF SENATOR A. S. MIKE MONRONEY

Mr. Chairman, I want to thank you for the opportunity of appearing before you to urge that oil import restrictions be tightened by freezing the proportion imports bear to domestic production at the 1954 level.

Although a Presidential Committee, which was not composed of members from oil-producing States, found unanimously in 1955 after careful study that the 1954 ratio represented the maximum penetration of the domestic market which can safely be yielded to overseas production, we have seen imports increase 50 percent. This has occurred despite so-called voluntary controls and despite the fact that the Nation's known reserves of crude oil declined last year for the first time since 1943, according to a report of the American Petroleum Institute and the American Gas Association. If the present trend of an increasing ratio

of imports of petroleum from the Middle East continues, I fear that the Government will be responsible for destroying a vital segment of our oil production facilities for war and peace.

The Reciprocal Trade Act of 1954 empowers the President to fix quotas on the importation of oil. However, because of the failure of the administration to utilize this authority, the flood of oil from the Middle East has continued to increase. I am not asking that importation of oil be stopped, but that it be held to a reasonable percentage of our total petroleum usage each year. At the time the Reciprocal Trade Act of 1954 was passed, oil imports amounted to approximately 10 percent of the total domestic consumption of oil. It was not intended that the quota be used to stop imports completely, but merely to hold the proportion of imports within reason. The failure of the administration to take effective action has permitted this proportion to increase until it now ranges between 15 and 17 percent of total consumption.

Exploration for oil is not carried on just by the huge companies. It is conducted largely by small firms using borrowed money to take long chances in the hope that luck and science will help them find new pools of oil to add to nature's stockpile of this most valuable strategic material. They must sell the oil if they are to drill more wells.

Due to the failure to enforce any ground rules as to the proportion of the domestic market to be allocated for foreign oil, the search for petroleum in America has slackened. As fewer new oil wells have been drilled, unemployment has grown, small business has suffered, and tax revenues to the Federal, State, and local governments of the midcontinent area have decreased.

Further than this, the complex of refineries that once furnished employment and an opportunity for small business in the midcontinent area is being rapidly liquidated. They are being relocated with more modern equipment in the Delaware River Valley and great Virginia tidewater ports, to receive the foreign oil produced by the giant oil combines in the Middle East and brought to our eastern seaboard for refining. Thus this policy—or rather lack of policy—threatens to destroy not only the independent producer but also the small midwestern refiner.

The few major oil companies operating in the Middle East can produce oil for about 88 cents per barrel, delivered to the United States. The cost in the United States, it is fairly well agreed, ranges from $2.50 to $2.75 per barrel. This low cost is partly the result of the great thickness of the Middle Eastern oil sand, where one well per square mile produces a tremendous amount of oil. Part of this cost spread is accounted for in the differing cost of labor. And a substantial part of the difference is represented by the taxes which go into the cost of the domestically produced barrel of oil. The domestic producer pays taxes for support of city, county, State, and Federal governments—income taxes, gross production taxes, payroll taxes, social security, county, and city school levies. The major companies import oil which is practically free on all of these taxes.

The 50 percent of the oil produced which represents the partnership share of the King of Saudi Arabia is now classed as "taxes." This is a misnomer to the ultimate degree and provides a windfall profit by allowing the importing oil companies to completely avoid United States taxes.

While the major companies who have made their money in the midcontinent area invest it in the Middle East, bring their oil across the ocean and refine it in refineries on the Delaware River and Hampton Roads, we become more dependent on the sources. Let me remind this distinguished committee that we nearly lost a war because of the interruption of our supplies of oil carried by tankers up the east coast. It was the old-fashioned German submarine that almost cut that lifeline and forced us to build the Big Inch and Little Inch pipelines to take these essential supplies across the continent.

If Germany was able to stop needed oil shipments in World War II, we certainly must recognize the danger of relying on foreign oil now when my information is that danger from Russia's submarines would be three times greater than that from German subs.

Then, there is the matter of continuing our own exploration. We all know that only when the independent oil producers have an adequate share of the domestic market—and it is largely the independents who find oil and bring in new fields—can oil become available to replace our supplies that are being exhausted.

I believe the problem deserves serious and careful consideration by the Committee on Finance, and I hope that the committee will accept the amendment to the Trade Agreements Extension Act offered by Senator Long of Louisiana.

Senator KERR. Mr. Schultz.

STATEMENT OF PAUL R. SCHULTZ, PRESIDENT, OKLAHOMA INDEPENDENT PETROLEUM ASSOCIATION

Mr. SCHULTZ. Thank you, Senator.

My name is Paul Schultz, from Oklahoma.

Senator KERR. That is a good name from a good company and one of the biggest States in the Union.

Mr. SCHULTZ. I will not read my statement but present it for the record and present my views that I would cover in 6 minutes.

Senator LONG. I suggest his statement be printed in full.

Senator KERR. It will be.

It will appear at the end of his remarks.

Mr. SCHULTZ. I am president of the Oklahoma Independent Petroleum Association and a director and member of the import policy committee of the Independent Petroleum Association of America. I appear on behalf of both of these associations.

I am also president of the Blackwell Oil & Gas Co., a company which has been engaged for 53 years in exploration for and production of crude oil and natural gas.

We have no other operations in the oil industry outside of production and exploration.

My statement presents figures and statistics on drilling and exploration both in the United States and in Oklahoma.

Our Honorable Governor has presented many of the figures that appear in my statement and I will not try to cover those again.

I would like to explore two different ideas that I have which are not in my statement, and can be summarized as this: We independent producers are often attacked with the idea that we have been here too many times; that we have been coming to Washington for a long, long time on this import thing and we have been hollering wolf all these times.

Senator KERR. At the expense of taking a little time, Mr. Schultz, I want 1 minute to tell a story about Bridget who asked Pat for a dollar on a Saturday morning, and he says "Now, listen, Bridget, you have asked me for a dollar every day this week."

She said, "That is right, Pat, and I hope you give it to me today." [Laughter.]

Mr. SCHULTZ. I would certainly agree that covers pretty well what I am going to say.

Back in the twenties when the IPA was formed, its requests were finally answered by a tariff which took care of the situation for 12 to 13 years.

Prior to World War II, the import problem began to rear its head again, and we began our activities in this area again.

Then along came World War II, and that solved the problem of excessive imports for quite a few years.

At least it let the domestic petroleum industry have a breathing spell from increasing oil imports.

After World War II again the import problem began to arise, and along came the Iranian shutdown.

This bolstered the domestic industry.

Then the import problem was again upon us and along came Korea. Then the import problem again, and then Suez.

So that every time we have said the domestic industry was suffering some unpredictable thing happened which helped save us and caused the things which we had predicted could happen to the domestic oil industry not to occur. We don't believe that the domestic oil industry, so vital to national security, should be dependent for its health on such an unstable foundation.

Now we have had a period where no emergency has arisen for several years, and now we begin to see the facts.

First we began to see the reduction in exploration activity back in 1953 and 1954.

It takes 4 or 5 years from the time the explorers stop exploring before we see the results in wildcats.

We began to see the decline in wildcats happening in late 1956 and 1957.

Now they are down 35 percent below 1956.

Geophysical crews are down 30 percent below 1953.

Now we begin to see, as in 1958, 1957, and 1956, the decline in drilling. So now we have had a period of stability in the oil industry where we can now see the effects on the oil industry of these excessive imports and what we have been saying for many, many years is now beginning to come to pass.

Last year for the first time since World War II we did not find in this country as much oil as we produced.

We have seen the activities, as were mentioned by Mr. Wood just previous to me, of the Gulf Petroleum Corp. which has been for many years agitating that the United States is running out of oil.

Back in 1952, Mr. Eugene Ayres, then an executive assistant to the president of the Gulf Oil Co., predicted that the peak of production in the United States would occur in 1955 or 1956.

This very year we have seen a similar article written by a Gulf man by the name of Rhodes, who predicts the peak of production will occur in 1961 or 1962.

In my opinion there is no basis for any such prediction at this time.

In 1952 I wrote a paper given before the American Association of Petroleum Geologists which predicted that the peak of production would occur in 1967 from the information then at hand, and predicted at that time that if we looked at it 5 years later, which it so happened I am doing at the moment, some 7 or 8 years later, the peak would have been that far out in the future as it was at that time, and that when we should start worrying about running out of oil is when that peak began creeping back on us.

My preliminary work so far which will be published in the next several months indicates that that peak is still at least 15 years away from us.

We have only to go to States such as Oklahoma where we now see people drilling deeper in areas which everybody thought were completely worked out, Seminole County, which is beginning to boom from the fact that they found new ideas, geological ideas, new areas

where different sands are producing where it was not thought they would produce before.

We see wells now in Oklahoma being drilled to greater and greater depth and uncovering new reserves.

We find new areas in Utah. Arizona soon I am sure will be of a similar circumstance where we are finding major oil fields in areas that have heretofore been unexplored.

The American Association of Petroleum Geologists has predicted that over 50 percent of the surface of the United States will produce oil.

To date there is only 2 percent of the surface of the United States that does produce oil.

So we are not running out of oil in this country.

Senator LONG. What percent did they predict would produce oil?

Mr. SCHULTZ. Fifty percent.

Senator LONG. Of the United States?

Mr. SCHULTZ. Of the surface area of the United States; yes, sir.

So it comes down, it seems to me, to one idea.

What are we looking for in this country?

Are we looking at the short-range viewpoint or a long-range continuing system in this country?

If we want cheap foreign oil, and maybe cheaper petroleum prices, then the thing to do, in my opinion, is take off all restrictions, let them bring in all the foreign oil they can bring in and maybe the consumer's price will go down 10, 15, maybe even 20 percent.

Now when you do that, what happens?

Well, the domestic industry, I will be very frank to admit, cannot compete on a price basis with the foreign oil.

So we are going to stop drilling, and we are going to stop looking for oil in this country.

Secondly, what will happen?

Many of the small marginal wells, of which we have more than our share in Oklahoma, will no longer be able to commercially operate and will shut them in and lose the reserves behind those wells.

Now, over a period of a few years, we will lose our ability to supply our own requirements in this country, and you have seen as well as I what happens in these foreign countries when we become dependent upon them.

The 50–50 deals in the Middle East would all of a sudden become 90–10 deals and all of a sudden we would find that cheap foreign oil would no longer be cheap to us and then we would come into a period where the price of petroleum products would soar over a very short period of time.

Now these are my opinions.

Senator KERR. What are they in France today, where they are dependent on imports?

Mr. SCHULTZ. Well, the price of gasoline in France is about a dollar a gallon right now. Now the second alternative we have to this is to hold imports to a moderate figure, a figure which allows our domestic industry to remain healthy. Under such a circumstance we can continue to have petroleum products at what I believe are bargain prices.

The price today is not an exorbitant price of a product that of the quality and character that the American petroleum industry supplies.

But we would continue to supply these products and would be self-sufficient and over a period of time we might have some advances in these products. But we have built-in safety factors in this country of ours. We have the ability to make gasoline from shale. It is technically a success, but Mr. Rubel from Union Oil Co. says that it is available right now at competitive prices with gasoline from crude at present prices.

Maybe it is and maybe it is 50 cents a barrel higher than crude price equivalent, but if crude oil goes up to that level, then all the reserves of shale oil in this country act as an automatic stopgap to stop the price of crude from going any higher. If you do not like shale oil, we have got a lot of coal left in this country, and underground gasification is pretty well worked out.

We can convert as the Germans did and we can do it much better with coal or natural gas, for that matter, into petroleum products and they serve as a ceiling beyond which the price of crude in this country cannot go.

So I say that for a short-range viewpoint we may try to bring in cheap foreign crude and get a temporary economic advantage, but in the long run we are going to lose out on that basis.

Senator KERR. Isn't it a fact that the importers are the ones that are holding the price of domestic crude at the present level in order that they may have the advantage?

Mr. SCHULTZ. On their foreign imported product?

Senator KERR. Foreign imported product.

Mr. SCHULTZ. I believe that to be true.

Senator KERR. That is just the cold-turkey facts about it.

Mr. SCHULTZ. I would just like to point out two small things and then I will be through.

First, I previously worked, before I went to work for the Blackwell Oil & Gas Co., for a major oil company, the Standard Oil Company of Indiana, and for many years it was one of the few major oil companies that was a completely domestic company.

It had no foreign operations whatsoever.

In the last 2 years they have become a company interested more in foreign work than they are in domestic work.

Today its offices in Tulsa are being cut down by their staff, I would estimate 30 percent. They have opened offices in New York for their foreign work, their best men are being transferred to New York, and they are going foreign only on the basis of the dollar.

There is not a gentleman in the company, of whom I know many, who is willing to concede that there is not oil to be found in this country but they say we can find it so much cheaper over there.

Senator KERR. And if the others are going to import it, we are going to do the same?

Mr. SCHULTZ. We are going to do it too.

My little company is 53 years old, born and bred in Oklahoma and most of its activity and production is in Oklahoma, and recently we have taken a concession in Bolivia and we are getting ready to take one in Africa and we are doing it only for one reason. If the Congress of this United States is not going to protect the domestic producer, we feel we are going to have to find a way to depend on cheap foreign oils ourselves, and so we, as a preservative measure, have

taken, are taking, and will take, another concession, foreignwide merely, because we feel we have to be protected, and if we are not going to be protected we have got to find another way to survive.

Senator KERR. So you can be competitive?

Mr. SCHULTZ. That is right.

That ends my statement.

Senator KERR. Thank you very much.

Senator DOUGLAS. May I ask a question?

Senator KERR. Yes.

Senator DOUGLAS. You have made a very concise statement.

As you know, just prior to the reporting of the reciprocal trade bill to the House there was inserted section 8 of that bill which, in general terms, gave to the Director of Defense Mobilization and to the President the power to impose quotas which threatened to impair national security.

Now, the oil industry was not specifically mentioned in this language. But it was commonly understood that it was the chief industry to which this section referred.

As a result of the insertion of this section a number of Congressmen from oil districts, I think the record will show this—who had previously been opposed to reciprocal trade measures, voted for the provision, and it was understood that this was acceptable to a certain portion, at least of the oil industry. Now, is my statement substantially correct, in your judgment?

Mr. SCHULTZ. Well, it is not acceptable to the oil industry of Oklahoma, to the independent producers of Oklahoma.

We feel that the duty, the power of limiting imports and foreign trade rests in the Congress, and we do not feel that the prerogative of deciding what level and where, at what level national security is important should remain in the administrative hands of the Government which has so many powers.

Senator DOUGLAS. You are not in favor of this discretionary power given in the President?

Mr. SCHULTZ. No, sir; I believe it belongs to the Congress.

Senator DOUGLAS. May I ask this, what do you understand is the attitude of Gulf Oil?

Is this acceptable to Gulf Oil?

Mr. SCHULTZ. I imagine it would be because they have been able to get away from almost everything under the present law and this does not do much more than what the present law has done.

Senator DOUGLAS. How about the attitude of the various Standard Oil companies?

I notice they are not appearing.

Is this acceptable to them?

Mr. SCHULTZ. I do not know but I presume that it is.

Senator LONG. I believe I know their general position if I might briefly state it.

I think their position is that they do not want anything compulsory if they can avoid it. They would much prefer a voluntary program even if it does not work.

Senator DOUGLAS. May I ask about Shell?

Mr. SCHULTZ. I don't know.

Senator DOUGLAS. I am trying to find out what the situation is.

Is it this: That this provision is acceptable to the so-called big oil companies but unacceptable to the independents?

Senator KERR. I think I can explain that for the Senator.

The section that was added in the House is an improvement over section 7, but it is an inadequate improvement and the industry in Oklahoma and practically everywhere I know that is dependent on domestic production and hoping that domestic production will be the dominant factor in the future oil picture would rather have the Congress fix the policy than to delegate it to the President, and then the President, in whole or in part, either voluntarily or involuntarily see it delegated to the companies that you have named.

Senator DOUGLAS. Do I understand that the companies with appreciable international holdings are satisfied with section 8 but the domestic producers are not?

Senator KERR. I would say that I am not—I have not been advised of their position, but that would be a reasonable assumption.

Senator DOUGLAS. And that the companies which do have international holdings are what—Gulf, Shell, the various Standard Oil companies?

Senator KERR. Not all the Standards. A number of the Standards do not have. The principal Standard companies holding large foreign oil reserves are Jersey, New York, Socony, and California.

Senator DOUGLAS. Indiana?

Mr. SCHULTZ. Indiana has only recently taken concessions but they have no production yet.

Senator DOUGLAS. What is the position of the Texas——

Mr. SCHULTZ. Yes, that is one.

Senator KERR. Texas Co. and the Gulf Co. and Shell. I believe those are the great——

Mr. SCHULTZ. Those are the big five.

Senator DOUGLAS. Those 3 plus 3 or 4 of the Standard companies.

Senator KERR. Correct.

Senator DOUGLAS. What about Sinclair?

Mr. SCHULTZ. They have been small in the foreign field.

Senator KERR. Sinclair is not a big factor in the importing field.

Actually the Getty Combine, that is Western Petroleum Reserve, I believe, and Tidewater——

Mr. SCHULTZ. Tidewater and so forth.

Senator KERR. Are larger in that field?

Mr. SCHULTZ. Larger than Sinclair.

Senator DOUGLAS. And they are big developers of foreign oil?

Senator KERR. That is right.

Senator DOUGLAS. And therefore they do not want compulsory quotas.

Senator KERR. That is correct.

For a while they refused to go along on the voluntary program, as you know. They were one of the——

Mr. SCHULTZ. It was only when the Buy America Act was put in that Tidewater finally came over.

Senator KERR. Now that is in jeopardy by this lawsuit?

Mr. SCHULTZ. Yes.

Senator DOUGLAS. I am very glad to get the conflict of interests, so to speak, clarified.

Thank you.

Senator LONG. Isn't this true: That as far as the major companies are concerned, dealing in the American market, it gives them a large competitive advantage over an independent refiner if they can bring their crude in from abroad, produced at a cheaper price, while the independent refiner is compelled to buy his domestically where he has to pay the domestic price?

Mr. SCHULTZ. This is certainly true. I would like to make a comment made to me Monday of this week at lunch in Tulsa.

A man who is 1 of the 44 applicants asking now for another 300,000 barrels a day of production who are not importers now, 44 companies have applications in to become importers and I said to him "What are you going to do if you get the imports?"

He said, "I can sell it. I have a lot of companies back East who want to buy my import if I can get one."

Senator DOUGLAS. May I ask another question, Senator Kerr?

Senator KERR. Yes.

Senator DOUGLAS. Suppose a quota is fixed, how is this quota to be apportioned for instance between Canada and Venezuela?

How will this be apportioned between the various foreign countries?

Senator KERR. Well, in the fixing of quotas, of course, Congress would be confronted with the decision of making it an administrative problem with discretion or without discretion and I do not see how it could be made on any basis other than with discretion, and the fixing of or the providing for quotas, I would say this, so far as I am concerned, would not be limited to the oil industry.

It would be a broad enough authority to be applicable to the oil industry, and to the minerals industry, and the plywood and textiles and all of the other industries who, without exception, have told us that in view of the inflationary situation that exists pricewise, that there would be no hope to secure tariff protection to adequate extent to solve their problems and the only way it could be done would be by the imposition of quotas and in my judgment that would have to be on a basis that the administration, while it would have the directive to apply them and a formula generally for the determination of them, it would be discretionary with them in the imposition of them—I mean as to the application of them to the countries.

Senator DOUGLAS. Well, now, suppose you were to take 1954 as a base which previous witnesses have advocated. You mean it would be optional whether the administration would put it into effect?

Senator KERR. No. They would have to do it but they would have to determine as to the applicability of it as to the nations and the importers.

Senator DOUGLAS. You mean they would have to determine how much the quota would be for each of the foreign countries?

Senator KERR. Yes, sir.

Senator DOUGLAS. Which otherwise they would want to ship in?

Mr. SCHULTZ. And then for each of the companies to distribute amongst.

Senator DOUGLAS. For each of the companies?

Senator BENNETT. If it were left to us in Congress it would become an impossible political situation, I would think.

Senator DOUGLAS. Of course that is my feeling about this whole matter. Fixing of specific schedules is so complicated that it becomes

an impossible matter for Congress and that is why I have always been in favor of reciprocal trade.

Senator LONG. Why not let them bid for the quota allotments?

Senator KERR. Well, that should not be. In the first place you could not disregard entirely the history of imports and I do not think you should disregard the refining capacity that would be in need of the imports.

Senator BENNETT. You cannot disregard the world relationships involved in our defense against Russia.

Senator KERR. If States are able to put into effect conservation programs, and apply them to the proration of oil to the States there certainly should be no insuperable obstacle to the administration putting into effect a proration system on imports.

That is what it amounts to.

Mr. SCHULTZ. That is essentially it.

Senator LONG. Don't you in Oklahoma like we do in Louisiana, tell not just every single producer but you tell every person in your State how much on a barrel basis he can produce per day from every well in the entire State?

Mr. SCHULTZ. That is right.

Senator LONG. And enforce it?

Mr. SCHULTZ. That is right.

I would like to point out one thing and that is that in France the French law says that all oil used in France or any of its territories must be refined from French crude up to the ability of French crude to supply the market.

There is no allowable for any importation of any kind of oil, if France can ever find itself self-sufficient in oil, and with Sahara they may force the Standard of Jersey and Shell who have refineries in France actually to take oil produced in Sahara by Cities Service or Sinclair or someone else with concessions in this area and run their refiners on their own crude and then what are Jersey and the rest of them who are now taking their crude from the Middle East to do with crude? Unless we have some limitations it is going to work its way over here again.

Senator KERR. I will say this about the ability of this Government to impose and prorate their quotas.

If they are lacking in either knowledge or experience in that regard all they have to do is study the methods used with the methods of practically every state with whom we are signatory to the program because they are now doing it, practically every one of them, insofar as imports from this country to their countries are concerned, so that——

Mr. SCHULTZ. That is correct.

Senator KERR. So that they would have all of the guidance in the world in the matter of figuring out how to do it effectively because it is now being done to this country.

Mr. SCHULTZ. That is correct.

The countries that we are talking about here, the oil-producing countries outside the United States, are not quite as liberal as we are.

Most of these concession agreements that you sign require that if you find sufficient production you are required to build a refinery and refine the crude within their country.

Now these are things that are conditions that are imposed upon you as a producer of oil in their country.

Senator LONG. And they also require that you use their citizens in those refineries, don't they?

Mr. SCHULTZ. That is right, and they require that you use all of the materials to build those refineries insofar as the country is able to manufacture them in that construction job, too.

Senator KERR. In a lot of places after you get it all set up and done they come over and tell you they are going to expropriate it.

Mr. SCHULTZ. That is correct.

Senator KERR. Thank you very much.

Mr. SCHULTZ. Thank you.

(The documents referred to are as follows:)

STATEMENT OF PAUL R. SCHULTZ, PRESIDENT, OKLAHOMA INDEPENDENT PETROLEUM ASSOCIATION

My name is Paul R. Schultz. I am president of the Oklahoma Independent Petroleum Association and a director and member of the import policy committee of the Independent Petroleum Association of America. I appear on behalf of both of these associations. I am also president of the Blackwell Oil & Gas Co., a company which has been engaged for 53 years in exploration for and production of crude oil and natural gas.

My statement will include a discussion of some of the problems of the Oklahoma oil industry, the relationships of Oklahoma's problems to those of the United States oil industry as a whole, and of the effects of ever-increasing foreign imports upon both. I would like to first discuss some of the overall aspects of the oil-import problem and then discuss the situation in my own State of Oklahoma.

In studying the effect of the Trade Agreements Act and the results of its extension, two important factors must be considered. First, and foremost, is national defense and second, the national economy. The two factors are interrelated because a democratic nation cannot successfully prepare for its defense without a healthy domestic economy.

Currently an oversupply of crude oil and products plagues this Nation. In addition, the world, other than the United States, has capacity to produce petroleum far in excess of the amount necessary to supply present world markets outside of the United States. Our immediate problem is a result of the fact that crude oil produced outside of the United States seeks, and for many years has sought, to enter the most favorable petroleum market available, which is of course the American market. This natural characteristic of products to seek the best market is the primary cause for the burgeoning increase in the quantities of oil imported into the United States in recent years.

Surplus producing capacity in the United States was originally developed by domestic producers in response to the requests of the defense agencies who indicated that a large reserve producing capacity would be needed in case of emergency. No subsidy has ever been granted to the producer, and none has ever been sought by him, for the creation of this reserve capacity for security purposes. We are now in the position that maintaining excess reserve capacity in the face of ever-increasing imports is an insupportable burden on domestic producers. At present about one-third of the producing capacity of this country is shut in.

To the difficulties of maintaining excess producing capacity for security purposes in competition with increasing imports, has now been added a reduction in the rate of growth of the domestic petroleum market, and the present crisis in the oil industry has resulted. Domestic crude-oil production reached an alltime peak of 7,717,000 barrels daily in March of last year, at the height of the Suez crisis. It has declined steadily since that time and for the last 3 months, March–May, has averaged about 6,250,000 barrels per day. This is almost 1,500,000 barrels below the March 1957 level and about 100,000 barrels daily less than for the year 1954. Although some improvement is expected during coming months, production for the year 1958 is almost certain to be well below the average production in either 1956 or 1957.

Depressed conditions in the petroleum industry during the past year have had a serious effect on exploration and development work. Experience shows that

new discoveries are directly dependent upon the number of wells drilled, and these declining activities indicate a serious threat to our domestic oil supplies so vital to national security. Excessive imports of crude oil and refined products are a primary factor in this deterioration of the domestic industry.

The decrease in United States petroleum exploration, as measured by the number of active geophysical and core drilling crews, began in 1954 when imports were recognized as threatening national security by the Congress and the administration's special cabinet committee. During 1954 an average of 718 exploratory crews were active in the United States. The number of crews active has declined steadily each year since that time averaging 660 in 1956, 628 in 1956, 580 in 1957, and 520 during the first quarter of 1958. This is the lowest level for this vital function of the petroleum industry since the first quarter of 1951. The number of exploratory crews active in the first quarter of 1958 is more than 30 percent below the average during the peak year of 1953. Domestic exploration is being discouraged despite the fact that vast potential areas remain untested. The American Association of Petroleum Geologists has stated that more than half of the total land area of the United States is potentially oil producing and yet, to date, we have only proven up 2 percent of the country's surface. In recent years new States have entered the ranks of those producing oil and in many States areas previously thought completely developed are now yielding new discoveries in heretofore untapped depths.

The decline in exploratory crew activity was followed by a decrease in the number of active drilling rigs and well completions. There are more than 8,100 rotary drilling rigs, in the United States. During 1957 an average of 2,429 rigs were active, a decrease of 7.2 percent from 1956. The decline in the number of active rigs has become more pronounced in 1958, averaging 1,858 during the first 5 months of this year. This represents a decrease of 29 percent from the 1956 average and is about 24 percent below the average number active in 1957. This drastic decline in drilling activity means loss of trained personnel and early abandonment of highly specialized equipment. Such deterioration of the drilling industry means inadequate new wells, inadequate discoveries and inadequate domestic reserves to meet future requirements.

The decrease in active drilling rigs has been accompanied by a decline in new well completions. The number of new oil wells, new gas wells and dry holes drilled in 1957 totaled 53,838, a decrease of 4,822 completions or 7.4 percent as compared with 1956. Wells drilled during the first 5 months of 1958 show a further decrease of about 18 percent below the same period in 1957. A continuation of this trend would mean less than 48,000 wells (oil, gas, and dry) for the year 1958. This would be the lowest drilling rate since 1952. Since 1952 the national oil demand has increased almost 25 percent.

In short, excessive imports of crude oil and refined products are contributing to a severe depression in domestic petroleum exploration and development. Wildcat drilling for new reserves declined 10 percent in 1957 against 1956 and shows a further decrease of about 25 percent in the first 5 months of this year. As a result of these declines in exploration and development activities the domestic industry failed in 1957 to find as much new oil as was produced with the result that total proved reserves declined for the first time since World War II.

There is no place for the pessimist in the business of finding and developing oil and gas. It is necessary to be realistic, however, and face the fact that excessive imports have made it uneconomic to explore and develop the United States oil reserves needed for national security. The July 1957 report of the Special Cabinet Committee To Investigate Crude Oil Imports contained the following warning:

"The sharp increase in imports programed by the importers in their report to ODM indicates such a trend of increase in relation to domestic production as will bring about a further decline in domestic exploratory and development activities. This should not be permitted. The timelag between exploration and production requires that we explore today for tomorrow's usable reserves. Any other course will impair industrial expansion, availability of supplies for consumer use, and preparedness for an emergency."

In hearings conducted early this year by Captain Carson, administrator of the voluntary import program, applicants for quotas to import foreign oil repeatedly testified that in order to compete with present importers and survive they needed an allocation of cheap foreign oil. In the short span of a few

months 44 additional applications have been received by Administrator Carson. These applicants seek import quotas totalling more than 300,000 barrels daily.

What further proof do we need of the threat to our national security when it is obvious that oil imports in excess of the 1954 ratio are denying markets to domestic oil, and consequently, reducing our domestic exploration, drilling, and producing program, as reflected by the statistics we are submitting.

Long ago those who have studied our oil industry learned that the drilling and the producing arm of our industry cannot be put into mothballs and then in time of emergency called upon to fill an urgent need.

In my own State, the Oklahoma Corporation Commission was forced to reduce allowables drastically during the last year. During March of this year the commission ordered all wells in the State, regardless of size or character, to produce only 80 percent of the amount of oil which they produced during January. Three categories of wells were critically affected: (1) The production of stripper wells, which produce only small amounts of oil each day, were further reduced; (2) wells producing large volumes of salt water with only small volumes of oil were restricted, and in the opinion of many engineers, the ultimate recovery from these wells will be seriously affected; (3) for the first time in the history of Oklahoma's conservation program, the production of secondary recovery projects, such as waterfloods, was prorated. Only one other State regulatory body, the Kansas commission, has ever prorated waterfloods. The Kansas commission's order was soon revised to exclude waterfloods because ample evidence proved that this procedure would result in a permanent loss of State and National reserves. New Mexico and Texas regulatory bodies, on hearing evidence of the detrimental effects that would result, have consistently rejected any action to prorate secondary recovery projects. The Oklahoma Corporation Commission later found it necessary to remove certain waterfloods from this order.

Oklahoma is only one of several States that has made drastic reductions in its daily production. The oil producing States of the Southwest have reduced production in the first half of 1958 as compared to the first half of 1957 about 1 million barrels daily, representing a decrease in total gross income to producers and royalty owners of about $3 million per day.

The impact of this $3 million per day reduction is felt in the everyday economy of each State, but even more important than the impact on the economy is the effect on future reserves. Sixty cents of every dollar taken out of the ground by the oil industry goes back in, to explore for further reserves. Consequently, the industry in just 5 States is reducing its search for more oil by more than $1,800,000 each day. This figure tells only part of the story.

A great segment of the economy of our section of the country is geared to the production of crude oil. In Oklahoma 67 of the 77 counties produce oil. Petroleum represents about 92 percent of our mineral wealth. Over 70,000 people are directly employed in Oklahoma's oil industry and receive over $300 million in salaries and wages each year. The economic, educational, and cultural life of the people of every community in our States is greatly influenced by the oil industry.

The economic life of the people of our State is directly affected by the present crisis. Also vitally affected, is the economy of the State government itself. The State of Oklahoma, through its gross production tax, receives a direct revenue of 5 percent of the value of all oil produced within the State. This revenue is applied to maintain our schools, highways, welfare funds, etc. The welfare and progress of any State or community is geared to its industries, and Oklahoma's oil industry is the major industry in the State.

Unemployment in our industry is increasing every month. Some of our larger service companies have reduced their workweek to 35 hours and in addition have had to reduce their personnel. Increasing unemployment in the oil industry is in good part traceable to and proportionate to increasing foreign imports. This unemployment is not confined to ordinary labor; a good percent of our technical personnel is entering other industries. History is all to clear on this: if an emergency demands all-out effort from the oil industry, our lost technical personnel will have to be retrained or replaced, a heavy burden on any industry.

The following information, based on figures from the Oil and Gas Journal, compares total wells drilled, wildcats drilled, and the number of active rotary rigs in Oklahoma during 1956 and 1957:

	Total wells drilled	Wildcat wells drilled	Average number of rotary rigs active
1956	8,066	867	290
1957	6,235	747	243
Decrease (units)	1,831	120	43
Decrease (percent)	22.6	13.8	15.0

We, as an industry, are going backward, not forward. We are being required to contribute to a higher economy (rising costs of steel and labor), and to compete with a cheaper product (foreign imports).

Evidence and examples could be cited here at great length to show that foreign crude cannot be relied upon in time of emergency. History has proved this fact better than words could ever prove it. In recent months there has been considerable strife in three areas—the Middle East, Venezuela, and Indonesia—three areas that export crude to the United States. Can we, for a moment, think of depending for our supply of a vital war commodity from areas as politically unstable as these?

In an effort to promote a better understanding of the oil industry, an industry whose statistics are frequently misinterpreted, the attached tables, numbered I, II, III, and IV, showing the economics of exploration and production in Oklahoma and in the United States have been prepared. The figures developed in these tables are all based upon information published by the American Petroleum Institute, the Oil and Gas Journal, or the United States Bureau of Mines. The basis of all of the figures used is documented on each of the tables.

Table I sets forth the statistics on oil wells drilled in the United States in 1940, 1950, 1956, and in Oklahoma in 1956, and shows that the average productive well in Oklahoma developed only 46,910 barrels of oil reserves, whereas the average productive well in the United States developed 93,180 barrels. If, however, dry holes are taken into consideration, the productive well developed only 81,780 barrels per "test" in Oklahoma and 58,085 barrels per "test" in the United States.

The cost of developing the reserves indicated above is shown in table II. The average productive Oklahoma well costs $40,500, whereas the average productive well in the United States costs $55,800. After allocating to the productive well its proportionate share of dry holes drilled, the average cost in Oklahoma is $60,000 as compared to $90,000 in the United States.

Table III develops the overall economics of oil exploration and production, based upon the facts developed in tables I and II. This table shows that the total investment required to develop reserves in Oklahoma is $2.01 per barrel, as compared to $1.61 per barrel United States average. Both figures include a leasing and exploration cost, exclusive of dry holes, of 43 cents per barrel, based upon industry experience for 1956. Using as a gross realization, the average 1957 price for crude oil, and using a lifting cost of 50 cents per barrel in Oklahoma and 45 cents per barrel United States average, gives a net realization after operating cost of $2.50 per barrel in Oklahoma and $2.65 per barrel average in the United States. This net realization must cover the investment for finding and developing the profit on this investment and income taxes.

The oil producer in Oklahoma is realizing only 49 cents per barrel return on an investment of $2.01, or a ratio of return to investment of 24 cents per dollar invested or 3.5 percent per year spread over 17 years. For the United States these same figures are $1.04 return on $1.61 invested; or 65 cents per dollar invested or 6 percent per year spread over 25 years. These returns, in addition to being low for a high-risk industry, are spread over long periods of time.

The rate at which money is returned from oil exploration and production has been developed on table IV. Oklahoma is producing its reserves at a rate of 10.74 percent per year. The average United States rate of production is 3.60 percent per year. On this basis, the average new well in Oklahoma produces 18.80 barrels of oil per day gross and in the United States 21.80 barrels per day gross. After royalties and overrides, the average amount of oil received by the

operator for each new well is 11.23 barrels per day in Oklahoma and 17.73 barrels per day in the United States.

Based upon a selling price of $3 per barrel and an operating cost of 40 cents per barrel during the early years of production, the average income, before income taxes, for the average well is $10,750 per year in Oklahoma and $10,750 per year in the United States. The cost of drilling the average productive well including its share of dry holes is again $60,000 for Oklahoma and $60,000 for the United States. However, including the cost of leasing and exploration, these costs per productive well are increased to $70,300 in Oklahoma and $122,700 in the United States. Assuming that there is no decline in the production of new wells during the period, payout requires 7.1 years in Oklahoma and 7.8 years in the United States. If the normal decline in production is included, payout will extend to 12.0 years in Oklahoma and to 10.5 years in the United States.

The average rate of return for a typical oil operator is 8.5 percent per year in Oklahoma and 6.0 percent in the United States when total expenditures required for drilling and exploration are considered.

Combining the information developed in tables III and IV, the economics of the oil exploration and production business can be summarized as follows:

The typical oil operator cannot expect the return of his investment in less than 10 years. After his investment has been returned, he can expect to realize a profit amounting to from 20 to 65 cents for each dollar invested, and this return will be spread over a period of 15 to 25 years from the time his productive well was drilled, making the average rate of return only 3.5 percent to 7 percent per year. All figures are given before income taxes.

The tables also reflect the historical pattern of the oil industry in the United States over a 15-year period. This pattern shows the decreasing amount of oil found per well, the dramatic increase in the cost of drilling these wells, the ever-increasing finding costs, and the increasing cost of lifting. The net effect of all these factors is of course an ever-decreasing economic attractiveness for the oil producer.

Figures for 1957 are not yet available, but preliminary estimates indicate that the economics will look no better and will probably look worse. Since the first of 1953, we have seen a gradual decrease in the price of crude oil overspreading the country through many price adjustments. Since the increase in crude price of February 1957, we have had over 100 price adjustments, almost all in a downward direction, in the United States.

Our industry stands at a vital crossroad, and the figures I have presented to you bear witness to this fact. Our economy has been crippled and our security is being threatened. Never has the economy of our section of the country depended so completely on a single decision at the national level. Our ability to provide the fuel for national defense in the coming years is no longer a foregone conclusion, if the present situation is allowed to continue. We do not ask that all imports be cut off. We ask only that imports be reduced and that we return to the clear intent of Congress when this legislation was renewed 2 years ago, and that these controls be made mandatory.

The United States domestic petroleum industry is being forced to curtail its operations drastically as imports of foreign oil are allowed to flood its market. Once many of its technical personnel are scattered, many of its wells abandoned, much of its gathering and transporting system allowed to fall into disuse, the domestic industry will be unable to regain its position of strength quickly enough to meet the demands of a national emergency. We urge that Congress provide immediate relief by making it mandatory that imports be held to a reasonable percentage of domestic production.

TABLE I.—*Statistics on oil wells drilled*

[API—American Petroleum Institute; OGJ—The Oil and Gas Journal; BoM—U. S. Bureau of Mines]

	United States						Oklahoma, 1956	
	1940		1950		1956			
Oil reserves added, barrels per year	1939 (API) 2,309,122,000 1940 (API) 1,888,330,000		1949 (API) 3,157,845,000 1950 (API) 2,382,695,000		1955 (API) 2,870,734,000 1956 (API) 2,974,336,000		1955 (API) 261,496,000 1956 (API) 205,364,000	
Average		2,148,226,000		2,873,265,000		2,922,530,000		233,530,000
Wells drilled, wells per year:								
Productive oil wells	1939 (BoM) 17,485 1940 (BoM) 19,125		1949 (OGJ) 22,062 1950 (OGJ) 24,430		1955 (OGJ) 32,567 1956 (OGJ) 32,158		1955 (OGJ) 5,132 1956 (OGJ) 4,825	
Average		18,305		23,236		32,363		4,925
Total oil tests [1]	1939 (BoM) 23,147 1940 (BoM) 28,009		1949 (OGJ) 33,285 1950 (OGJ) 37,649		1955 (OGJ) 30,179 1956 (OGJ) 30,448		1955 (OGJ) 7,539 1956 (OGJ) 7,148	
Average		26,078		35,472		30,315		7,343
Gross reserves added, barrels per well: [2]								
Per productive well		117,369		123,742		93,130		46,910
Per total oil test		82,137		81,007		58,065		31,790
Net reserves added, barrels per well:								
Per productive well		95,265		100,549		76,000		38,000
Per total oil test		72,494		68,539		47,000		26,000

[1] Including proportionate share of dry holes.

[2] Royalties and overrides average 3/16 of gross.

TABLE II.—*Cost of drilling*

	United States			Oklahoma, 1956
	1940	1950	1956	
Depth, foot: Average (Oil & Gas Journal)	3,088	3,680	4,022	3,453
Cost, dollars per ft: (American Association Oil Well Drilling contractors)	$7.00	$11.00	$13.75	[1] $11.72
Productive well cost	$24,160	$40,480	$55,300	$40,500
Ratio of total oil test to productive wells: Average (based on Oil & Gas Journal figures)	1.92	1.63	1.62	1.48
Productive well cost including proportionate share of dry holes	$30,971	$61,934	$90,000	$60,000

[1] Oklahoma 1953 cost per foot increased same proportion as United States increased 1956 versus 1953.

TABLE III.—*Economic of oil exploration and production*

	United States			Oklahoma, 1956
	1940	1950	1956	
Well cost, dollars: Including share of dry holes	$30,671	$61,934	$90,000	$60,000
Reserves developed per well, barrels per well: Net to producer	98,265	100,540	75,000	38,000
Investment cost per barrel net reserves, dollars per barrel:				
Development and dry holes	$0.32	$0.69	$1.18	$1.56
Finding cost [1]	.11	.30	.43	.45
Total investment	.43	.93	1.61	2.01
Realization per barrel, dollars per barrel:				
Sales price	1.02	2.51	[2] 3.10	[2] 3.00
Cost of lifting, average over life	.13	.31	.45	.50
	.89	2.20	2.65	2.50
Return on investment:				
Dollars per barrel	.46	1.28	1.04	.49
Ratio: Return to investment	1.07	1.38	.65	.24
Average life of property, years	33	31	25	17
Average rate of return per year, percent	2.9	12.6	6.0	2.5

[1] Based on Struth's Formula (1956): Exploration costs: United States reserves added equals cents per barrel net reserves.
[2] 1957 United States price used for 1956 instead of lower 1956 actual. Oklahoma estimated.

TABLE IV.—*Payout on oil exploration and production*

	United States			Oklahoma, 1956
	1940	1950	1956	
Production, barrels per year (U. S. Bureau of Mines)	1,353,214,000	1,973,874,000	2,617,283,000	315,893,000
Reserves, barrels (American Petroleum Institute)	19,024,814,000	26,266,998,000	30,434,649,000	2,009,796,000
Ratio production to reserves, percent	7.11	7.51	8.60	10.74
Gross reserves per productive well, barrels: 3-year average	[1] 117,346	[2] 123,743	[3] 92,880	[3] 46,910
Gross production per average well, 1st year:				
Barrels per year	8,320	9,004	7,902	5,038
Barrels per day	22.84	30.48	21.60	13.80
Net production: [4]				
Barrels per year	6,772	7,832	6,476	4,100
Barrels per day	18.56	21.52	17.73	11.23
Income, before income taxes, per year [5]	$6,096	$17,510	$16,760	$10,760
Cost:				
Well cost, including share of dry holes	$30,871	$61,394	$90,000	$60,000
Leasing and exploration costs	10,479	30,162	32,700	16,200
Total cost	41,050	92,096	122,700	76,200
Payout, before income taxes, years:				
Assuming no decline in production	6.7	5.2	7.3	7.1
With declining production	8.8	6.3	10.5	12.9
Average rate of return per year, percent	8.9	12.8	6.0	8.5

[1] 1930–40.
[2] 1940–50.
[3] 1950–56.
[4] Royalties and overrides average 1/6 of gross.
[5] Based on:

	United States			Oklahoma, 1956
	1940	1950	1956	
Selling price per barrel	$1.02	$2.61	$3.00	$3.00
Operating cost per barrel	.12	.28	.40	.40
Net	.90	2.33	2.60	2.60

Senator KERR. The record will be kept open until 3 o'clock for the insertion of any statements by any witnesses not scheduled here.

At the conclusion of the hearing this morning the committee will recess until 10 o'clock Tuesday morning at which time it will meet in executive session on the bill.

The hearings will have been concluded as of today.

Mr. Brehm is the next witness.

Will you proceed, sir?

STATEMENT OF C. E. BREHM, PRESIDENT, INDEPENDENT OIL PRODUCERS & LANDOWNERS ASSOCIATION

Mr. BREHM. Senator Kerr and members of the committee, my name is C. E. Brehm and I live in Mount Vernon, Ill.

I am an independent geologist, a drilling contractor, and oil producer, and president of the Independent Oil Producers & Landowners Association, tristate.

Our association represents the independent producers operating in Illinois, Indiana, and Kentucky.

I am here today because, in my opinion, the Trade Agreements Extension Act as passed by the House does not provide adequate safeguards against extensive petroleum imports, which if continued at the present rate will threaten our national security.

On July 29, 1957, the Special Committee To Investigate Crude Oil Imports made the following report to the President, and I quote from this report as follows:

> It is clear that there is a direct relationship between the Nation's security and adequate and available sources of energy. Oil and gas account for two-thirds of all the energy that is consumed in this country. Furthermore, there is no adequate substitute in sight for the foreseeable future. Therefore; we must have available adequate supplies of oil.

And then sums it up by stating:

> In summary, unless a reasonable limitation of petroleum imports is brought about, your committee believes that—
>
> (*a*) Oil imports will flow into this country in ever-mounting quantities, entirely disproportionate to the quantities needed to supplement domestic supply.
>
> (*b*) There will be a resultant discouragement of, and decrease in, domestic production.
>
> (*c*) There will be a marked decline in domestic exploration and development.
>
> (*d*) In the event of a serious emergency, this Nation will find itself years away from attaining the level of petroleum production necessary to meet our national security needs.

This report was made by members of the President's Cabinet—men who had access to all the facts concerning foreign policy, defense, finance and commerce. If the report of that committee is based on fact—and I, for one, sincerely believe that it is—then our national security could be undermined if the 5-year extension of the Trade Agreements Act becomes law as it is now written.

The voluntary import program though helpful is still a piecemeal answer to a serious problem. Its legality is being questioned and it still has not been put to the test of cutting back imports to their realistic and necessary 1954 level by 500,000 barrels daily.

Cheap to produce foreign oil imports are supplanting domestic production with increasingly serious effects in our area. This brief tabulation will show what I mean.

Total number of wells drilled and rigs active in the tristate area

	1956	1957	Percent increase or decrease
Total number wells drilled:			
Illinois	3,900	2,708	−28
Indiana	741	609	−6
Kentucky	1,936	1,631	−21
Total	6,445	4,938	−24
Average number rotary rigs active:			
Illinois	76	50	−33
Indiana	9	6	−33
Kentucky	10	9	−10
Total	94	65	−31

You can see that total number of wells drilled is down an average of 24 percent from 1956 to 1957.

The average number of active drilling rigs for the same period is down 31 percent, considering the 3 States.

I personally drilled an average of 90 wells per year from 1947 through 1956. In 1956 I had the highest rate of discoveries and increase in reserves in my last 15 years of experience in the industry; because of the depressed conditions in the industry—a large part due to imports—I was forced to reduce my drilling program to 67 wells in 1957 and in the first 6 months of 1958 to only 25 wells.

The outlook for the next 6 months is even worse.

Many words have been spoken and written about the necessity for increased use of imported oil over domestic on the theory that we are running out of oil. As a geologist I want to go on record now by stating that, under the proper incentives, this Nation will be adequately supplied with domestic oil for the foreseeable future.

Vast areas of our tidelands and Continental Shelf have not been touched on both the south and west coasts.

Development of the vast four-corners area of Colorado, New Mexico, Arizona, and Utah is just starting.

This area is a small segment of an approximate 1,000-mile-wide belt which extends from Mexico to the Arctic Ocean. For just during the past year in this 1 small area, production has increased from 10,000 to 70,000 barrels per day in the maze of discoveries from the Tertiary to and including Ordovician producing sections, and this section is from the younger shallower rocks to the older and still deeper rocks.

Here I have just been advised there is over a billion barrels of reserves that have been picked up from these new discoveries.

The Rocky Mountain area and Northwestern United States are still in the infancy stage. In this area of probable producing sections only 1 wildcat well has been drilled to every 28 square miles of surface.

Our good neighbor to the North, Canada, with its high cost to produce crude oil like ours, has a great potential for additional oil reserves.

It is entitled to a share in the American market and is certainly a substantial partner in the defense needs of our country.

Alaska, soon to be one of our sister States, has tremendous possibilities for oil and gas which are just starting to develop.

Just last week at the Interstate Oil Compact Commission meeting at Salt Lake City, Secretary of Interior Seaton stated that since the discovery in the Kenai Peninsula, 30 million acres have been leased, or one-half as much as all of the leased area on the continental United States with shelf included.

Moose Preserve is to be opened this year, and by next year another 30 million acres will be under lease. Likewise Port Barrow will be open for exploration of gas and possible oil, all this pointing to the fabulous reserves available to us.

He further related that the present proven oil reserves of 35 billion barrels in the United States can be further supplemented by production of oil shales and coal to the extent of 300 billion barrels of reserves.

This has already been proven by the Bureau of Mines research in their refinery development at Rifle, Colo. This can be counted on to be developed only if there are adequate incentives.

Such producing States as Texas, Oklahoma, Kansas, Louisiana, and other midcontinent areas will continue to find substantial quantities of oil in undrilled structures and stratigraphic conditions which research is presently bringing into the realm of reality.

In the last few weeks, a record depth test beyond 20,000 feet has found a 300-foot productive section with pressures too high to test.

This latter test illustrates the immense reserves left in areas which have been drilled, the discovery well being in an area where only 1 test has been drilled to every 1.8 square miles in contract to the 1 in 28 as referred to before in the Rocky Mountain area.

Surely we are not running out of reserves, but we are running out of incentive. This Nation will not be in short supply of oil for its defense needs if the producers are allowed the just and proper incentive necessary to offset the risks involved.

It would truly be presumptuous on my part to tell this committee what should be contained in the new Trade Act for the overall good of this country, but on behalf of the tristate area I do feel the duty and obligation to present the foregoing facts.

It is your responsibility to insure the security of this Nation.

Any extension of the Trade Act, be it for 2, 3, or 5 years, must, in my opinion, include an amendment with language clear and specific which will limit imports of crude oil and related products to a level sufficient to regain and maintain a healthy domestic producing oil industry.

Thank you.

Senator DOUGLAS (presiding). Thank you very much, Mr. Brehm.

Senator Bennett, do you have any questions?

Senator BENNETT. I have no questions.

Senator DOUGLAS. Thank you very much, Mr. Brehm.

Mr. BREHM. Thank you.

Senator DOUGLAS. The next witness is Mr. Eugene M. Locke, representing the Texas Independent Producers & Royalty Owners Association.

Mr. Locke, I notice you have quite a lengthy statement. Would it be satisfactory to you if this were printed in the record and if you made a somewhat shorter statement?

STATEMENT OF EUGENE M. LOCKE, TEXAS INDEPENDENT PRODUCERS & ROYALTY OWNERS ASSOCIATION

Mr. LOCKE. Yes, Mr. Chairman, it certainly would, and as a matter of fact, I had intended only to summarize the statement and not to read it.

I will read the first part only, giving my background.

I am Eugene M. Locke, of Dallas, president of the Texas Independent Producers & Royalty Owners Association.

I am an attorney by profession, the greater part of my practice being in the field of oil and gas law. I am also the owner of oil and gas royalty and operating interests.

I am privileged to appear here today to speak on behalf of the more than 6,000 nonintegrated independent oil and gas producers and owners of oil and gas royalty interests in the State of Texas who make up the membership of our association.

These are the small companies, partnerships, and individual operators of the kind that have accounted historically for about 80 percent of the oil discovered in this country and who, in 1957, were responsible for about 76 percent of all the wells drilled and more than one-third of all the oil produced in the United States.

Reluctantly, we have concluded that the Trade Agreements Extension Act as passed by the House of Representatives is inadequate to deal with the acknowledged problem of excessive imports.

While we want very much to comply with the request that our testimony be confined to consideration of the bill as it now appears—and it certainly is my primary purpose here to discuss what seems to us to be deficiencies in it—we do feel it necessary to include a discussion of some background of the problem and the administration program for dealing with it.

In short, our position is that the voluntary program has not worked, is not working, and is not likely to work unless more positive language is written into the security clause.

Now I have divided my summary into these parts:

First, the need for controls and why it exists.

Second, what controls are needed.

Third, have the present controls worked?

Fourth, why haven't they worked?

Fifth, what is the new language in the law put in recently by the House of Representatives, and will it work; and, finally, what language is needed?

First, the need for controls and why they are needed.

Every responsible summary or investigation that has been made has come to the conclusion that controls are needed.

First, the National Petroleum Council in 1040, which is a group made up of all segments of the oil industry, including importers.

Second, the executive committee of the API, 1955. That also is a group made up of all segments of the oil industry, including importers.

Third, the President's Cabinet Committee, both in 1955 and in 1957.

Fourth, the ODM findings, Office of Defense Mobilization.

Fifth, the findings of Congress, as indicated by the security clause of the present act.

Sixth, statements even of some of the major companies such as the Standard of New Jersey, to the effect that it is necessary to maintain a healthy domestic industry.

And finally, a statement of the Defense Department itself to the effect that we cannot rely on foreign oil, a statement which is contained in the statement made earlier by Mr. Robert L. Wood and made on behalf of the Defense Department.

Now the only thing that has been said by anyone that I know of in dissent to what I have just said is the statement that we are running out of oil.

We have on page 34 of our booklet various different statements made by the Government at different times in the past, beginning way back in the year of 1800 that we were beginning to run out of oil.

Indeed one of those statements stated that they were not going to find any oil in Texas.

The statements have, of course, been proved false.

It is not the oil that is used, it is the relationship between the oil that is used and the oil that is found that is important, and every year practically in the past we found more oil than we used and the reason we found it was because we went out and drilled for it.

This last year, for the first time we used more oil than we found, and the reason was that there were less wells drilled, and if we take the average oil discovered in reserves per well drilled and if we drilled in 1957 the same number of wells we drilled in 1956 then our reserves would have increased, not decreased as has been the case.

Now, we need controls, it is admitted.

What controls are needed?

I think we could go first back to the Cabinet Committee statements made in 1957; what did they say we needed?

Well, they said if you did not control imports, first oil would be coming in in ever-mounting quantities disproportionate to the needs to supplement the domestic supply—supplement, not supplant.

So the program should, presumably, keep oil from coming in in these ever-mounting quantities which would supplant the supply.

Secondly, discouragement of and decrease in domestic production.

So presumably any program would be aimed at preventing the decrease in domestic production.

Thirdly, the marked decline in domestic exploration and development, so again presumably any program would be designed to prevent that from occurring.

Fourthly, it should encourage free enterprise exploration at a rate consistent with the demands of a growing economy.

So presumably the Cabinet Committee found as demand increased exploration should increase and that the program that was adopted should be designed to accomplish that result.

To effectuate the above, according to the Cabinet Committee, we must keep a reasonable balance between domestic and foreign supplies.

Now, what ratio would accomplish these results?

The ratio that the Cabinet Committee found back in 1955 was the ratio between imports and domestic production that existed in the year 1954 which was 10.0 percent.

This was specifically found by the Committee, and there were many statements, both by this committee and by various Senators on the floor of the Senate, which indicated that it was the intention of this committee and of the Senate to preserve that ratio.

Gov. Price Daniel, who has submitted his statement today without personally appearing, has documented those talks on the floor of the Senate and statements by the various members of this committee, and I refer you to Governor Daniel's statement for that purpose.

Now have the controls worked?

The administration says they have worked.

The administration says they are 95 percent successful. And why?

Well, I will read you one paragraph from a statement, a speech made by the Honorable Fred A. Seaton, Secretary of the Interior, as delivered by the Honorable Hatfield Chilton, Under Secretary of the Interior, at the meeting of the Interstate Oil Compact Commission at Salt Lake City on June 24 of this year.

He said:

> The Federal Government has issued 58 separate import allocations and to my best knowledge there have been only 3 who could possibly be called noncompliers, therefore the program has gained 95 percent compliance over the past 9 months.
>
> Moreover, because one company, which had previously not been in compliance is now and probably will remain so in the future, the program today has 97 percent compliance.
>
> Moreover, if still another company reverses its present policies and practices and one is reported considering doing so, the program will have achieved almost 99 percent compliance.

Now we might argue with the question of how many——

Senator DOUGLAS. Which are the companies that have not complied?

Mr. LOCKE. Eastern States is definitely not complying. They have definitely filed a lawsuit. Tidewater was not complying for a long time. It now states that it is complying.

I can't call offhand the three companies that he refers to here in the beginning, but I feel certain one of them is Eastern States.

Senator DOUGLAS. Is not Tidewater the center of the so-called Getty Empire?

Mr. LOCKE. That is correct. It certainly is, sir.

Senator Douglas, the thing I want to invite your special attention to here is this: In the first place the effectiveness of the program as to being 99 percent effective does not depend on the amount of companies that comply.

The one company that is not complying might be Gulf Oil which is concededly the chief importer.

We could get a hundred percent compliance by quadrupling the quotas you set. So to me saying the program is 95 percent effective because 95 percent of the companies comply is somewhat ridiculous, frankly.

Now, what is a proper standard and has it worked, by the proper standard?

Well, let's take the 1954 ratio. That is the standard that they set. That is at least one standard.

We have a chart in our testimony, chart No. 1 at the back, which shows the increase in the percentage of imports to domestic supply through the years from 1946 on up through 1958.

It shows that in 1954, the critical year, there was a 16.6 ratio. In 1958, to date there is a 23.5 percent ratio.

Now you will notice that the difference between 16.6 and 23.5 is over a 40 percent increase.

In other words, imports today are 40 percent greater than they would be if the 1954 standard had been retained.

So the obvious answer is that it has not been retained and we have about a half million barrels a day coming in, in excess of the 1954 ratio.

But let's go further than that. Let's just not take the ratio, let's take these general standards that they set for themselves in the Cabinet Committee report.

Standard No. 1, oil coming in in ever-increasing quantities, disproportionate to the needs to supplant the domestic supply. It was supposed to prevent that. We are getting 500,000 more barrels per day above the 1954 ratio and what is happening to the domestic production?

The domestic production today is 100,000 barrels a day under 1954 ratio and actually it is a million barrels a day under the 1957.

So actually we have a great increase in imports and we have a decrease in domestic production.

So they have not accomplished No. 1 that they set themselves to accomplish.

Two, discouragement and decrease in domestic production. That is supposed to be stopped. Well, it has not been stopped, because as we have stated, there is a decrease of 100,000 barrels a day over 1954 even though there is an increase in imports.

Third, marked decline in domestic exploration and development. They are supposed to set a program that will prevent that. Well, in 1957, for the first time, drilling was down in 1957, about 10 percent in 1956 throughout the country and below 1954.

In 1958, it is down 13.5 percent from 1957; in other words 10 percent in 1957 from 1956; 13.5 percent from 1958 to 1957.

But look at exploratory drilling, wildcat wells. It was also in 1957 down about 10 percent but in 1958 it is down about 25 percent over 1957.

You have the same thing on rotary rigs, 1957 they were down about 9.6 percent, rotary rigs in operation; 1958 over 1957, down 27.8 percent.

The exploratory crews in operation, down 13.2 percent in 1957 over 1956.

I do not have the exact figures for 1958, but if you have the same ratio in exploratory crews going out that you have in rotary rigs why then they would be down about 50 percent.

So the administration definitely, if one of the objectives of this program is to keep these crews operating and keep these wells producing domestically, they have not done it.

They have not encouraged exploration; they have discouraged it.

Now, one of the things they said we ought to do is encourage free enterprise exploration at rates consistent with rates of the growing economy.

Well, they say we ought to increase exploration as the economy grows and the demand increased in 1957 over 1956, demand for petroleum production, but even though the demand increased exploration went down substantially.

So we find that by the standards that the administration set for themselves through the Cabinet Committee report that they have not accomplished a single one of the things that they set out to do.

Now, why haven't the controls worked?

In the first place, there has been no attempt to make a ratio that will achieve the job, to provide a total number of imports to achieve the job.

In the second place, voluntary controls depend on the good will of these importing companies and there is a limit to how far you can drive that good will, and when they are making money more on imported oil than they are on domestic oil, why the amount they are going to comply is going to depend on how much money they can make over here as opposed to how much voluntary pressure you can bring on them over here, and that just is not going to work.

Third, what about the pressures on the Administrator?

Now what happens?

Take anybody administrating this program.

You get a number of independent refineries and new producers who come in and they want a quota.

Well, they ought to have a quota because you just do not want to give a quota to the big companies so where are you going to have to take that quota from?

You are going to have to either increase imports or cut the big companies. When you cut the big companies that have been importing what are they going to say?

They are going to come down to scream. What is the easiest thing to do, that is, for the Administrator?

That is for him to say the national security requires the level to be up here instead of down here.

So long as it is voluntary you have got those pressures that are human and you just cannot get around them.

Now fourthly, the administration has not made attempts, outside of import controls, that we think they should have made, such as encouraging a west coast pipeline, enabling us to put oil out in the west coast, which is a deficiency area.

I understand the administration has indicated that imports are too great on the Pacific coast and stocks are too high, but today they came out and did not cut the imports on the Pacific coast.

I just got that information while I was in the room.

Senator DOUGLAS. There has been some reduction on imports.

Mr. LOCKE. Yes, sir; they reduced them to 713,000 barrels in districts 1 to 4 in March. The quotas that they set from quotas which had previously been high.

Now those quotas which they set in March have not been met, actual imports of 50,000 barrels a day, I understand in excess of those.

Now on the west coast, I do not think they have cut those, and they were stating that they would, and the west coast is at the present time, although a deficiency area in production, and needs a pipeline to take care of that nevertheless they have had so many imports in there they have been flooded with oil on the west coast but today we understand—as I say, I just got it since I have been in the room—I have not seen any order but I understand that the administration determined not to cut back west coast imports.

Senator Douglas. Was this done to sweeten the impending visit of the President to Canada?

Mr. Locke. I don't think—I don't know, sir, why it was done. But I think a lot of those imports on the west coast are not Canadian imports.

Actually Canadian imports, Canada has been able to import into this country all of the oil that Canada wanted to. The quotas which had been set for companies importing Canadian oil as I understand it have been such——

Senator Douglas. Canadian newspapers and Canadian representatives have complained quite bitterly about what they alleged either had happened or was going to happen.

Mr. Locke. Well, I think probably they may have fears about what might happen, Senator, but as I understand it, Canada has been able to bring into this country, and I might also say with respect to Canada that as a contiguous country from a defense standpoint, particularly if Canada were to limit her imports so that they could not be a fund and would operate just as another state that the Canadian situation could be taken care of and I think properly so.

Senator Douglas. You mean it is Venezuelan and ultimately the Persian Gulf states that you are worried about really?

Mr. Locke. Well, it is the Middle East this is the primary thing.

Of course we are worried about all imports.

Senator Douglas. Is the Middle East shipping oil into here now?

Mr. Locke. Yes, sir.

Senator Douglas. Into the United States?

Mr. Locke. My understanding is that they are.

Senator Douglas. That is a new change, is it not?

Previously the Middle East——

Mr. Locke. Well, the Middle East has sold most of their oil to Europe, of course.

Senator Douglas. Yes.

Mr. Locke. Replacing Venezuelan oil in that area and replacing some of the United States oil in the old days in that area but I understand there is oil from the Middle East coming into this country.

Senator Douglas. I wondered if in the time remaining you could supply for the record some figures on that.

Mr. Locke. I do not have those figures, Senator, but we can supply them for the record, yes, sir, if we can.

Senator Douglas. Will you do that before 3 o'clock?

Mr. Locke. Yes, sir.

(The information referred to appears at p. 1443.)

Mr. Locke. Now, as to the new language of the act, the new language that the House of Representatives put into the act that is now before you, as to whether that language will work, well basically that language does nothing more than to establish general criteria.

It gives no yardstick. Will it work? Well, you already have that criteria in the reports of this committee, the passed act, in the debates on the floor of the Senate, in the Cabinet Committee reports, and they were spelled out much more carefully there than they have been in this new language, and yet they haven't worked so I would say that the effect of saying that the President should consider this, that, and the other thing, is not telling how he should consider it or what yardstick to use and that that language will be inadequate.

Now, secondly, the administration line has been that the voluntary program works and it is not working and presumably if they say that the voluntary program works, they don't intend to make any substantial changes in the voluntary program.

Now, Mr. Seaton's recent statement that I just referred to contained a statement in it—I won't attempt to read it, but he goes along the line of the voluntary program is working and that nothing further needs to be done.

Also Mr. Mueller, in a recent speech that he made up in Bradford, Pa., stated:

> If we are to take the independent petroleum associations' words for it, severity of conditions caused by foreign imports, I suspect, it would be difficult to sell.

Now his idea is that foreign imports presumably are not causing any problems because our position that it does cause problems and the position of the independents throughout the country would be difficult to sell.

I don't think we can expect much help from people who are administering this program and who take that position.

Another thing is the lawsuit that you have heard of, Eastern States is already challenging the legality of the entire program.

So I would say that the language in the bill is not adequate, and that it needs to be implemented.

What language is needed?

In the first place, Congress should find, rather than the President, Congress should find that we need import controls.

Secondly, the controls should be made mandatory.

Thirdly, there shoud be some kind of a yardstick and we think the 1954 yardstick that was originally put in by the Cabinet Committee and that this committee in the Senate—should be or is at least a good yardstick, but there should be some yardstick.

Finally, we believe that there should be some equalization features such as tariff or license feature that would equalize the profits that are made on foreign production with those made on domestic production.

Now, the Long bill does those things and we want to publicly compliment Senator Long and say we are a hundred percent behind his bill and also we want to express appreciation for all—for the work of all the other Senators who are on the bill.

We think it is a fine bill and we are for it.

There is one other thing that I would like to mention here which is another reason that I think imports should be limited, and it has nothing to do with the national defense.

We have been talking about national defense. But basically I think, and we think, as an association, I would state, that limitation of

oil imports is essential to the success of our free private enterprise system.

Now, basically, the companies which are producing domestic oil are small companies, a lot of the oil, 80 percent of all the new oil found is found by independents.

Practically all of the oil that is imported is imported by American major oil companies.

Now, we think, I think, that free private enterprise is built on little business, not on big business.

We have no complaint with big business. We think big business has its part in the system, but we think basically free private enterprise is based on little business and that is one great difference between free private enterprise in this country and free private enterprise in your countries that don't have antitrust laws, where they have had cartel systems, and where a Socialist or semi-Socialist economy has begun to reign.

Now the ordinary man, to believe in free private enterprise does not have to be a capitalist, but he has to think maybe he can, one, or at least maybe his children can, he has an opportunity to do something.

There are not many people who think they can be president of the Standard Oil Company of New Jersey or the Gulf Oil Co. or the Texas Co., but there are a lot of people who think with a little luck and maybe a fair amount of judgment, and a little bit of courage, can go out in the oil business and make some money for themselves.

Now, of course, that is true in all businesses, but compare the oil business with other major industries in the United States, such as the automobile business, the steel industry, and the oil business is one of the few major industries where the little man still plays a very important part.

Our association, for example, has over 6,000 members, independent oil operators and royalty owners in Texas, alone, and there are thousands of operators, as you know throughout the country, and as I say, they find 80 percent of the new oil, and a flood of imports will squeeze the small man out of the oil business, not the big man, because many of the dollars that we are talking about here on reciprocal trade are not dollars that go into the pockets of Frenchmen and Britishers and people who trade with us, but are dollars that go out of the pockets of one company and into the pockets of a larger company, and we think that is another important reason to limit imports.

Senator DOUGLAS. Senator Bennett?

Senator BENNETT. No questions.

Senator DOUGLAS. Mr. Locke.

Mr. LOCKE. Yes, sir.

Senator DOUGLAS. You made a very able statement.

I notice in the long statement that you——

Mr. LOCKE. Yes, sir.

Senator DOUGLAS. You devote a number of pages to the question of the foreign oil situation, notably beginning on page 28.

Mr. LOCKE. 28, sir.

Senator DOUGLAS. The bottom of page 28, page 29, page 30, page 31.

It so happens my copy is bound backward, so I have some trouble getting the sequence.

You have evidently given the relationship of the American prices to European prices and costs some consideration.

Mr. LOCKE. Yes, sir.

Senator DOUGLAS. I notice that earlier in the day, in response to a question from my colleague, Senator Kerr, it was stated that the price of gasoline in France was a dollar a gallon.

Mr. LOCKE. Yes, sir.

Senator DOUGLAS. That is substantially correct?

Mr. LOCKE. Yes, sir; I heard that statement.

Senator DOUGLAS. Now, the French gasoline comes from oil of the Middle East.

Mr. LOCKE. Middle East, yes, sir, that is correct.

Senator DOUGLAS. Now, the production costs of the Middle Eastern oil are extremely low.

Mr. LOCKE. Yes, sir.

Senator DOUGLAS. It is somewhat hard to figure out why this is so. I made some rough estimates which are not far from the point that cost probably would not exceed 50 cents a barrel. Does that sound correct?

Mr. LOCKE. That sounds correct.

Senator DOUGLAS. This is the puzzle to me. How can oil costing 50 cents a barrel on the Persian Gulf develop into gasoline costing a dollar a gallon in France?

Senator BENNETT. Senator, there is one factor in there—that is local taxes.

Senator DOUGLAS. That is part of the problem.

Senator BENNETT. I mean the French tax on refined products, the tax on gasoline as such in France, is very high.

Senator DOUGLAS. I see. But haven't I posed a problem that is worth considering?

Mr. LOCKE. You have, and I think fou might also find that in England and Switzerland and practically all European countries, the same thing is true.

Senator DOUGLAS. How do you account for that?

Mr. LOCKE. Well, the price is not exactly the same—the price of gasoline—but in all of those countries it is very substantially higher than it is here.

Senator DOUGLAS. How do you account for that?

Mr. LOCKE. I would say taxes are one part of it, of the equation, as Senator Bennett says.

Senator BENNETT. May I interrupt at this point?

The Bennetts were in Italy 3 years ago, driving a little automobile and in Italy they give the American tourist the right to buy gasoline without tax.

We paid 28 cents a gallon for our gasoline, though the Italian was paying 85.

So I think that probably the main——

Mr. LOCK. Great.

Senator BENNETT. Great part of that excess is local taxation on the finished product.

Senator DOUGLAS. Are there any other reasons?

Mr. LOCKE. Well, I would think that companies naturally want to get, sell at such prices as they can get, and I would say that probably

the competition in foreign oil is not the same as the competition in domestic oil produced.

Senator DOUGLAS. Do you find there is an international oil cartel?

Mr. LOCKE. Senator, I don't want to comment on whether there is an international oil cartel or not.

I do know that the number of companies that produce foreign oil are small in number.

Senator DOUGLAS. Few in number?

Mr. LOCKE. Few in number; yes, sir.

Senator DOUGLAS. And, therefore, it is easy for them to agree on prices?

Mr. LOCKE. I would say it could be done.

Senator DOUGLAS. Some years back, I think it was developed that the price of oil in Europe was the Galveston price, plus the shipment costs of oil from Galveston to the various European ports.

Isn't that true? Galveston was the base of the world basing point system.

Mr. LOCKE. I think that is true.

Senator DOUGLAS. Do we export any oil to France and England, now?

Mr. LOCKE. I don't believe we export any to those countries, Senator.

Senator DOUGLAS. As a matter of fact, the oil moves from the Middle East to the European ports, isn't that true?

Mr. LOCKE. That is true.

Senator DOUGLAS. But they used to and perhaps still are charging the Galveston price based on the higher American costs, plus the transportations costs from Galveston to France. Is that still in operation?

Mr. LOCKE. So far as I know. I am not familiar with the pricing policies.

Senator DOUGLAS. Even though the oil from Galveston moves small distances and even though the production costs along the Persian Gulf are only a small part of what the production costs are in the United States, is that correct?

Mr. LOCKE. That is correct.

Senator DOUGLAS. Isn't that an extraordinary situation?

Mr. LOCKE. I don't know whether you would call it extraordinary or not, I would say that more money is probably made on oil sold over there than an independent operator makes on oil sold over here.

Senator DOUGLAS. I want to commend you for your very frank statement.

Mr. LOCKE. Thank you, sir.

Senator BENNETT. Now that that question has been raised, isn't it true that the oil produced in the Middle East is produced on the basis of government concessions?

Mr. LOCKE. That is correct.

Senator BENNETT. So it is impossible to set up a group of independent operators of the kind we have in the United States?

Mr. LOCKE. I would say that that is correct.

It is difficult, certainly, and it has not been set up.

Senator BENNETT. Well, are there any countries in the Middle East granting concessions that have opened their concessions up for small operators?

Mr. LOCKE. I think that there is a group in Libya where there is no production now, but generally speaking, I would say that concessions have not been opened up to the small operator, that that is correct.

Senator BENNETT. Thank you.

Senator DOUGLAS. Mr. Locke, before you go, there is another question that has come into my mind.

What is the Galveston price now per barrel?

Mr. LOCKE. Well, it would depend to some extent on the type of crude, of course.

Senator DOUGLAS. I understand, but just stated generally?

Mr. LOCKE. But, Mr. Turner do you have a list of the prices of various crude and types of crude in Galveston?

Mr. TURNER. It is within the range of $3.

Senator DOUGLAS. Around $3? What would be the shipment costs from Galveston, let us say, to Le Havre?

Mr. LOCKE. I don't know that.

Senator DOUGLAS. Does anyone know that?

Mr. LOCKE. I am told about 40 cents.

Senator DOUGLAS. So if you take Galveston as a basing point, our products would be $3.40.

Now let us look at production costs. If the production costs of 50 cents a barrel in Asia Minor exist, plus the cost of a short distance for shipment, say to Marseilles, and if oil is selling at Marseilles around $3.40 I presume that the shipping costs from the United States to Marseilles are only a little higher than Le Havre, you would get quite a differential between the United States and the Middle Eastern cost of oil to France, wouldn't you?

Mr. LOCKE. Yes, sir.

Senator, I think maybe I can answer some of your questions about this Canadian and Middle Eastern situation now. I will quote from the Oil and Gas Journal here, really this is quoting the Oil and Gas Journal in another publication.

It says:

The United States Ambassador in Canada, Livingston Merchant, fluently declares that import curbs on Canadian oil are jeopardizing United States-Canadian relations.

On this point, however, the May 26 issue of Oil and Gas Journal says that only about 28,000 barrels a day of Canadian oil are moving into the area versus the daily import quota of 64,000 barrels a day.

United States import curbs can hardly be blamed for the situation.

That is the Oil and Gas Journal.

Now we have here a summary of statistics on imports from the various different places.

Here is your Eastern Hemisphere.

Senator DOUGLAS. That is into the United States?

Mr. LOCKE. In the United States; yes, sir, and would you like me to read these or shall I just give them to the reporter?

Senator DOUGLAS. If you would be willing to summarize them?

Mr. LOCKE. All right, sir, I would say that 389,000 barrels moved into the United States from the Eastern Hemisphere in March, 363,000 barrels in February, that is of this year. I will go back to 1957 and you have 304,000 barrels; 1956, 319,000; 1955, 308,000; 1954, 251,000. And you get back in 1947 and there was only 1,000. So in 1946 there

wasn't any. So you go from 1,000 in 1947 to 61,000 in 1948; to 101,000 in 1949; to 114,000 in 1951. Then you come up to 1954, 251,000 on up to March of 389,000.

Senator DOUGLAS. About 5 percent of the total domestic consumption.

Mr. LOCKE. Barrels per day. Yes; I assume so; yes, sir.

Senator DOUGLAS. Well, Mr. Locke, I think your testimony has been very valuable.

Thank you very much.

Mr. LOCKE. Thank you very much.

(The statement, in full, of Mr. Locke is as follows:)

STATEMENT BY EUGENE M. LOCKE, PRESIDENT, TEXAS INDEPENDENT PRODUCERS & ROYALTY OWNERS ASSOCIATION, AUSTIN, TEX.

Mr. Chairman, gentlemen of the committee, I am Eugene M. Locke, of Dallas, president of the Texas Independent Producers & Royalty Owners Association. I am an attorney by profession, the greater part of my practice being in the field of oil and gas law. I am also the owner of oil and gas royalty and operating interests.

I am privileged to appear here today to speak on behalf of the more than 6,000 nonintegrated independent oil and gas producers and owners of oil and gas royalty interests in the State of Texas who make up the membership of our association. These are the small companies, partnerships, and individual operators of the kind that have accounted historically for about 80 percent of the oil discovered in this country and who, in 1957, were responsible for about 76 percent of all the wells drilled and more than one-third of all the oil produced in the United States.

Reluctantly, we have concluded that the Trade Agreements Extension Act as passed by the House of Representatives is inadequate to deal with the acknowledged problem of excessive imports.

While we want very much to comply with the request that our testimony be confined to consideration of the bill as it now appears—and it certainly is my primary purpose here to discuss what seems to us to be deficiencies in it—we do feel it necessary to include a discussion of some background of the problem and the administration program for dealing with it.

In short, our position is that the voluntary program hasn't worked, isn't working, and isn't likely to work unless more positive language is written into the security clause.

I. HOUSE BILL INADEQUATE

1. Contains no real concessions

The House of Representatives has passed a Trade Agreements Act containing what has been termed "concessions" to domestic producers of defense-vital commodities.

The principal so-called concession is an amended national security clause which authorizes the executive department, when determining whether importation of a given article is endangering the national security, to consider the effects of such imports on the present and future availability of the article, the need for the domestic industry growth and to attract sufficient capital to assure growth, and the domestic industry's capacity to meet the Nation's defense requirements.

The "concession" merely consists of reducing to writing some of the criteria which manifestly should be used in weighing the effects of the importation of any article, and which we believe were used to some extent by the executive department in finding that oil imports were excessive to the point of endangering the national security. Nothing of real significance has been added.

The amended security clause leaves it up to the executive department to exercise full discretion in determining at what point imports become dangerous, to what extent they shall be restricted, and by what means. No guidelines are given. It is completely meaningless to direct the executive department to look at certain factors without directing it to draw certain conclusions or to take certain action. The intention of Congress to assure that imports will not become excessive can be ignored—and indeed, we believe it is being largely ignored at this time.

The executive department has amply demonstrated its unwillingness to take decisive action to bring oil imports back into reasonable balance with domestic production, and there does not seem to be any basis for assuming that the minor changes in the wording of the security clause as passed by the House will remedy this record of inaction.

In fact, at a meeting of the Interstate Oil Compact Commission last month, Undersecretary of Interior Hatfield Chilson read a statement on behalf of Secretary of Interior Fred A. Seaton in which he maintained that imports are not too high, that the voluntary program is effective, and expressed confidence that mandatory controls would not have to be imposed.

This statement was made by the man under whose direction import restrictions are administered. It was made in spite of the additional verbiage written into the security clause (with administration approval) that "* * * the requirements of growth of such industries and such supplies and services including investment, exploration, and development necessary to assure such growth" were to be considered in determining whether imports are excessive. And the statement was made at a time when domestic production is down to the 1952 levels, when exploration and development in this country have fallen precipitously, and when this Nation last year did not even drill enough wells to find enough new oil to replace that we used.

Can there be any doubt that there is no hope for the domestic oil industry in executive department discretion?

2. Constitutional and legal questions not resolved

The claim has been made that the new version of the Trade Act removes the constitutional and legal questions which, according to the administration, have militated against mandatory restrictions on imports. Congress cannot properly be said to have delegated a certain power or authority unless it has also laid out standards for the exercise of that authority or discretion. It is said that the enumerated criteria which are to be given consideration in determining whether imports are endangering national security constitute the necessary standards.

It is hard to see how this can be so, when the proposed security clause gives no standard or guide as to what action the President shall take, or what condition of the domestic industry shall constitute sufficient injury, or to what extent and by what means imports shall be curtailed. The exact duties of the President remain undefined.

Besides being told continually that the voluntary program is a success, we are told that there is no need for legislation on the subject of oil imports. The President, they say, has ample authority under existing law to invoke mandatory controls if they are needed.

In the first place, if—in the judgment of the administration—the time has not yet arrived when mandatory controls are needed, then it may never arrive. Additionally, there seems to exist a question over the authority to impose mandatory controls by Executive order. President Eisenhower stated in a letter to Senator Lyndon Johnson that there are constitutional and legal issues tending to prevent the imposition of mandatory controls under existing authority. The House version may have corrected this, but not the disposition of the administration to refrain from mandatory controls however great the need.

There seems to be confusion, too, as to whether the voluntary program is actually in response to section 7 of the Trade Act. The July report of the Cabinet Committee prefaces its recommendation with the statement that "unless the importing companies comply voluntarily with the import limitations hereinafter set forth," it is recommended that the President "find that there is a threat to the national security within the meaning of section 7 of the Trade Agreements Act of 1955."

When there is doubt as to the extent of their authority and even as to which authority they are acting under, there would clearly seem to be a distinct need for clarifying legislation spelling out exactly what the policy of the Congress is.

3. Other concessions are illusionary

During the progress of the Trade Agreements Act through the House, other so-called concessions were made by the bill's proponents. While these are not a part of the bill itself, they illustrate the inability of the Trade Act to assure that the imports problem will be met.

At a decisive moment, for example, it was announced that unfinished gasoline and other unfinished oils were to be frozen at current levels—on a volun-

tary basis, as a part of the voluntary imports program. If it has been inferred from this action that imports of petroleum products are now under effective restriction, that impression should be dispelled. Most product imports are unaffected by the new order, and even those that were brought under control were merely held at a level very near the maximum level that had been forecast by the importing company involved.

In actuality the restriction of unfinished gasoline had the immediate effect of setting upon one importing company the exclusive right to import that product. If another company now wishes to bring in unfinished gasoline, and remain in compliance with the voluntary program, it must get an allocation from the program administrator. He, in turn, must either raise the overall quota or give the new applicant a slice of the quota now held by the first company. While this decision is being made, the first company will continue to have a product allocation which amounts to a substantial and profitable increase in its quota for crude oil.

Then, too, we must view with some bewilderment the hurry-up trip by Mr. Perez de la Cova, of the Venezuelan Government, to Washington to protest such an innocuous move on the part of the administration—unless, of course, he feels that perhaps some of the great quantities of residual products being exported from Venezuela are in reality partially refined or topped crude that should be under this order. Surely these companies who may be guilty are aware of the very severe penalties for mislabeling imports.

It was heralded as a concession, too, when the administration inaugurated a policy of awarding contracts for purchases of military petroleum only to those companies that are in compliance with the voluntary program. This was ostensibly an enforcement provision, but in effect it seems only to have caused confusion over standards of compliance. Apparently the primary standard for judging whether an importing company has complied with the program is attitude of a company as judged by the program administrator, and his decisions do not seem to bind other officials of the Government. Nor perhaps can they be binding when the entire program may be thrown out in the courts at any time.

One example of the poorly defined yardsticks and confusion that has characterized the voluntary program since its very inception can be seen in the recent Eastern States affair.

Early in June the Military Petroleum Supply Agency awarded a contract for 12 million gallons of jet fuel to Eastern States Petroleum & Chemical Corp. with the announcement that " * * * to the best of our knowledge they (Eastern States) have been in compliance with the voluntary oil imports program." Just 2 days later, however, the Imports Administrator released a report saying, " * * * Eastern States cannot be deemed to be in compliance with respect to bids opened during the month of May 1958." It seems that Eastern States had not even filed a report with the Administrator since January.

Meanwhile, the company—through its attorney—stoutly maintained that they were in compliance with the program, while there was another suggestion somewhere in the administration that the company might qualify for a military contract if it merely declared that the products sold to the Government were made from domestic crude.

Thus we have four very strong opinions as to what constitutes compliance. But only that of the Administrator has any relevance, for the term "compliance" as it applies to the voluntary program has been removed from our three-dimensional world and endowed with some mystic meaning known only to him.

This situation encouraged Eastern States to try a little "mysticism" of their own by simply applying for a retroactive increase in their import quota to the extent of the excess, but this request has been denied.

As a result, Eastern States announced that it would file suit asking that the entire voluntary program be declared invalid. The company alleges that the program is "* * * inappropriate and was never sanctioned by authority granted under * * * (the Buy American Act) or any place else."

Another so-called concession to domestic industries hard hit by imports was the provision that tariffs could be raised under escape clause findings 50 percent above the duty existing on July 1, 1934. This is a highly desirable step in the right direction, if the escape clause is actually to have any real meaning. In most cases a 50-percent increase in the current duty would fall substantially short of the amount required to achieve the objective, leaving the President with the unhappy alternative of having either to resort to far less desirable quotas provided in the escape clause or leave the domestic industry unprotected. Since this administration, its predecessor, and most students of foreign trade

agree that the tariff is preferable to quotas when import controls are necessary, it is only logical that the limitation on tariffs should be relaxed to prevent the wholesale resort to quotas.

In the case of oil, however, this so-called concession is of little consequence. In the first place, oil being a No. 1 munition of war should be protected under the security clause. While there presumably is no limit to the powers of the President to impose either a tariff or a quota under the security clause, the tariff so far has been rejected in favor of voluntary quotas. Nothing in the security clause in its original form or in the House revision provides specifically for the tariff or assures it can be effectively employed.

As for relief from excessive oil imports under the escape clause, the duty on oil imports even under the revised language might not prove adequate. The duty on crude oil on July 1, 1934, was a specific excise tax of 21 cents a barrel; thus a 50-percent increase would amount to 31.5 cents. Reduction by trade agreements and creeping inflation have rendered it ineffective—from the equivalent of about 24 percent of domestic value to about 8.5 percent.

In order to make this "concession" meaningful, therefore, the law should be changed to provide for a 50-percent increase in the duty existing July 1, 1934, or, in the case of specific duties affected by inflation, a 50-percent increase in the ad valorem equivalent of any specific duty in effect on that date. In the case of oil this would provide for the imposition of a duty fully adequate to restrain imports, leaving the President free to negotiate duties downward on the basis of probable availability of supplies from Western Hemisphere sources during an emergency.

4. Administration action not likely

The adequacy of the presently proposed trade act must be judged to some extend on the basis of past actions of the administration under congressional mandates given in the Trade Agreements Extension Act of 1955. It is therefore germane to the question to cite the failure to cut imports to the United States west coast in sufficient degree, the failure to include ever-mounting imports of petroleum products in the curtailment program, and the failure of the executive department, to date, to certify as essential to defense the building of a crude oil pipeline from the surplus areas of the Southwest to the west coast. That area has a sizable oil deficit that has long been used as an excuse for increasing imports. Without such a pipeline, a sudden emergency could find the west coast seriously lacking in a vital industrial fuel and munition of war.

But the most telling—and shocking—evidence that the administration is unwilling to deal effectively with the problem is the June 24 speech of Interior Secretary Seaton telling the industry in effect that imports are not excessive and that the voluntary program is effective. This statement follows on the heels of administration concession to evaluate success in the light of industry growth.

As evidence of almost blind determination to describe the voluntary plan as successful, we cite what can only be labeled as distortion in recent and continuing statements by administration spokesmen. To no avail whatever we have called attention to certain of these distortions, some actually involving statistical errors, and if it is the wish of the committee we would be pleased to file for this record our correspondence with certain officials calling attention to these discrepancies. These include, for example, a challenge of the assertion that adherence to the 1954 ratio mandate would have meant only negligible increases in production of domestic wells.

In short, we are saying that the administration unhappily seems less interested in the factual situation or in implementing the purpose of the program than in defending it as a phenomenal success. We believe this serves as ample evidence that certain executive department officials have become so intent on promoting other objectives that they are unwilling to act decisively in carrying out their own national security conclusions. So devoted have some become to the objective of avoiding reasonable tariffs or quotas that they refuse to come to grips with this recognized import problem.

II. VOLUNTARY PROGRAM A FAILURE

The current voluntary program for limitation of oil imports into the United States has failed completely if its "goals" are stated in meaningful terms.

It has failed to implement the clear congressional mandate to limit oil imports to the 1954 ratio to domestic production—and it has failed even to achieve

the relatively modest objectives laid out for it in the Cabinet Committee report of July 1957.

Even had it achieved the "success" claimed for it, however, the program would be undesirable in that it invests too much arbitrary economic power in the hands of an administrator, tends to encourage concentration of economic power, and fails to produce the long-run stability of expectation so necessary to induce capital outlays for drilling and development.

1. Congressional intent ignored

The Cabinet Committee report of February 1955 concluded that oil imports significantly in excess of the 1954 ratio to domestic production would constitute a threat to our national security. The administration, however, strongly opposed legislation to implement this security conclusion in connection with the 1955 extension of the Trade Act.

At the urging of the executive department, however, language applicable to all products essential to national security was accepted in the Senate as a substitute for legislation providing more positive limits. This security clause, agreed upon and adopted by the Senate and approved by the House, left enforcement up to the executive department. The record is clear, however, that this was done only after executive department officials gave assurances that it could and would be used to limit oil imports to the 1954 ratio as recommended by the Cabinet Committee.

On this point, Gov. Price Daniel of Texas—who in 1955 as a Member of the United States Senate was active in the movement to obtain mandatory curbs—said in testimony before the House earlier this year:

"With a finding already made that petroleum imports above the 1954 ratio would impair the national security, we had every reason to believe that they would be limited under this authority. The debates in the Senate and the subsequent action of the House show that this was the intention of Congress. On the Senate floor, this intention was expressed by members of the Senate Finance Committee without dissent."

The evidence is unmistakable, then, that the intent of Congress in the 1955 legislation was to limit oil imports to the 1954 ratio, and that the broader language of the security clause was agreed to only after assurances were received that this broad discretionary power would be used to affect such a limitation. The executive department has not kept faith with those assurances.

2. Intent of Cabinet Committee report ignored

Not only has the voluntary program failed to implement the 1954 ratio as was the intent of Congress, it has failed even to achieve the objectives enumerated in the Cabinet Committee report which brought it into being.

Still, we are told that the program has been "95 percent effective" or has come within 2 or 3 percent of its "goal." For the most part, such statements are based on the meaningless criterion of the number of companies "complying" with the program—not on the quantity of oil being brought in.

But we hear proud claims, too, that the program has been "successful" in limiting imports to its "goal" of 782,000 barrels per day. The fact is, however, that the Cabinet Committee did not recommend a goal of 782,000 barrels a day—but rather 756,000 barrels per day. This limit was subsequently raised by the Administrator to 771,000 barrels per day to make room for new importers and later revisions brought it up to 782,000 barrels daily.

Can "compliance" or "success" have any meaning when the thing to be complied with loses all relationship to the announced objective or when the yardstick for measuring success may be changed to compromise with performance?

Even when the cutback to 713,000 barrels per day came at the end of March—by coincidence concurrent with congressional consideration of mandatory oil import curbs—it was not sufficient to reduce crude imports into districts I through IV to the stated objective of 12 percent of domestic production. Nor have the importing companies been complying with this new order any better than with the old. Through May, imports have exceeded this quota by more than 50,000 barrels a day.

How, then, do they arrive at the conclusion—as Secretary Seaton did only last week—that the program has "95, 97, or 99 percent compliance"?

First, they ignore the purpose of the fundamental whole program. Then, they assume we are concerned only with crude oil imports into districts I through IV. Then, because even the per-barrel compliance figures no longer support such claims of success, they suddenly start figuring percentage of companies which the Administrator, in his broad discretion, declares to be noncompliers.

By setting different quotas for different areas of the Nation, and quoting different figures and percentages for only portions of the Nation, administrative officials have succeeded in creating great confusion as to the effectiveness of the program. For example, we have seen recent evidence that some Members of Congress have been led to believe that imports were reduced under the program from 1½ million to under 1 million barrels per day. This confusion arises no doubt from the practice of referring only to crude imports in districts I-IV. Actually imports have averaged about 1,480,000 barrels daily so far this year and remain at near record levels—despite the voluntary program. Percentagewise, total imports for the Nation have increased from a 10.6-percent ratio with domestic production in 1954 to a 23.5-percent ratio in 1958.

Even in ratio to domestic production for districts I through IV crude only, the figure is 14.7 percent as contrasted with the Cabinet Committee's own July 1957 finding that 12 percent should be the maximum.

But even at best quotas and allocations are a means and not an end in themselves. Compliance with a barrel-per-day quota is largely irrelevant. The Cabinet Committee report made it clear that the objective of the program was to achieve a reasonable balance between imports and domestic production. The report listed the following as indicative of failure to achieve this balance:

(1) "Oil imports will flow into this country in ever-mounting quantities, entirely disproportionate to the quantities needed to supplement domestic production."

(2) "* * * discouragement of and decrease in domestic production."

(3) "* * * a marked decline in domestic exploration and development."

Let's look at the success of the voluntary program in terms of the objectives of the report which set it up. Has this program brought about a reasonable balance imports and domestic production? Here are the facts by the Committee's own yardsticks:

(1) Imports are currently averaging about a half million barrels per day more than in the yardstick year 1954. Thus, they have continued to flow into this country in ever-mounting quantities.

(2) While imports have grown almost 50 percent, we are actually producing about 100,000 barrels a day less than in 1954. As compared to a like period in 1957, we are producing about 1 million barrels per day less. There has been, then, resultant discouragement of and a decrease in domestic production.

(3) So far this year, drilling is off about 13.5 percent from the comparable period in 1957; exploratory drilling is off about 25 percent; and—most alarming of all—last year, we didn't even drill enough wells to find enough new oil to replace the oil we produced. There has been, then, a marked decline in domestic exploration and development.

Thus, by the Committee's own criteria the voluntary program has failed miserably to achieve a reasonable balance between imports and domestic production. By any meaningful criteria, the program must be termed "inadequate."

3. Imports are cause of distress

Even the most uncompromising apologists for the voluntary program are unable to deny that the domestic oil-producing industry is in desperate circumstances. We are told, though, that competition from alternate sources of energy and the general business recession are to blame—and not imports.

These statements simply will not stand the test of objective analyis. There can be little doubt that alternate sources of energy affect the market for crude oil to some extent, but by no means to the extent of current cutbacks in domestic production.

Actually, natural gas—the most often named—is used primarily for heating and cooking and as a fuel source for large industrial and institutional installations, while domestic crude oil, due to modern refinery techniques, is used primarily in the production of motor gasoline.

A major portion of the natural gas liquids, too, are used for purposes which complete very little with domestic crude. Even at that, through, they comprised only about 5.6 percent of petroleum energy demand in 1957 as compared with 4.5 percent 10 years earlier. They would hardly appear to be a major factor in oil production cutbacks in the magnitude we are now experiencing.

It would seem, then, that natural gas and the natural gas liquids, to the extent that they are not used as a blend stock for motor gasoline, compete primarily with imported residual fuel oil rather than with domestically produced crude.

As to the other alleged cause of production cutbacks—the general recession—the United States is currently producing crude oil at least 500,000 barrels per day below what can be justified on the basis of declining demand alone.

It may be well to point out that although total demand is off, demand for motor gasoline—the primary product made from domestic crude—is actually somewhat higher than for the same period last year. Demand for residual fuel oil, on the other hand—which is, as we noted, the principal product imported—was down some 27 percent. Evidently, then, the recession logically calls for a reduction in product imports rather than in domestic crude oil production.

4. Arbitrary powers versus free enterprise

It has been frequently contended that congressional action to enact definite yardsticks for oil import controls should be avoided on the grounds that such legislation would lead to Government control of the industry. This allegation is invariably accompanied by the claim that the voluntary program is a bulwark against socialism.

In evaluating this clear implication that legislation per se is tantamount to Government control, and that exercise by Congress of its constitutional authority to regulate foreign trade is objectionable, we can only conclude that it would be difficult indeed to imagine a program for dealing with excessive imports that is more conducive to the expansion of Federal powers over the operations of private business than the current one.

In the first place, the security clause itself—by the very breadth of its wording—empowers the executive department to decide not only whether imports are excessive, but how, when, and even if they are to be limited—all without congressional guidelines as to how this provision should be administered or for assuring any sort of equity in its execution.

Out of this has evolved the current program where an administrator has virtual life-or-death power over many small businesses through the arbitrary allocation of economic advantage in the form of import quotas. Failure to receive such a quota can actually mean ultimately being forced out of business for many small refiners. They simply cannot remain competitive with big, integrated companies running large quantities of cheap imported oil.

This fact was brought out during the recent hearings regarding west coast quotas under the voluntary imports program. One refiner testified that its competitors "* * * and particularly the major companies operating in California, are all importing this low-cost crude. Unless we do the same, it will be impossible for * * * (us) to remain in business." He went on to say that under present circumstances small refiners are forced to operate at a loss.

Even as concerns bidding on Government contracts, the import quota amounts to an arbitrarily assigned economic advantage. One small refiner indicated recently that he would have had to bid below cost in order to meet the bids offered by refiners who were fortunate enough to obtain import licenses and who had access to cheap imported oil.

This matter of import quotas has become such a life-or-death affair among refiners that—according to trade publications—a gray market has sprung up for the sale of quota allocations. Some companies are receiving quotas and peddling them to their less fortunate colleagues at prices running as high as 65 cents a barrel.

But who gets this Government handout so readily convertible into dollars? And on what basis? Nobody seems sure.

If you've got a history of imports, you are almost a cinch to get one—but there is a least one exception.

If you've got refinery facilities in this country somewhere near the coast where tanker transportation is available, whether or not you have any foreign production or ever bought any foreign oil, you have a good chance—but there are exceptions.

If you've got any foreign production, whether or not you have any refining facilities here or ever imported any oil yourself, you're probably in—but there are exceptions.

If you have no production whatever, here or abroad, and no refining facilities, but just want to get in on the lucrative business as a broker, you probably won't make it—but there are exceptions.

We fail to see how such a confused, complicated, and discriminatory method of assigning import quotas can be described as consistent with free enterprise, or how congressional action to spell out definite import controls would be tantamount to socialism.

The voluntary program then—with its arbitrary allocation of economic advantage to the import quota on the basis of criteria known only to the Administrator—is by its very nature inimical to the maintenance of competition within the petroleum industry. In order to avoid the vesting of so much arbitrary powers of quota assignment in the hands of a Federal official or bureau, and at the same time remove some of the monetary reward for excessive imports, there should be imposed some form of equalization or competitive duty on imports. This would provide a control mechanism that is thoroughly consistent with free competitive enterprise and American trade history in that it would allow economics to decide what companies would import and in what quantities.

One means of accomplishing this is the proposal authored by Senator Russell Long and others which would set a quantitative limit on imports and provide for competitive bidding among companies for import licenses as a means of deciding which companies should be allowed to import and how much. We believe this is an entirely proper means of dealing with a critical problem. There are other means also, including the addition of phraseology in the security clause which would assure this fundamental objective and which would avoid the objection raised by some to a so-called commodity amendment in the Trade Agreements Act.

We realize strenuous objections have been raised in some quarters to the employment of the tariff, but we believe all those objections can be fully met and consider it significant that the same sources objecting to the tariff object even more strenuously to mandatory quotas.

For example, this administration itself is on record on several occasions as preferring the tariff to quotas as a means of restriction when mandatory controls are found necessary. Secretary of Commerce Sinclair Weeks stated essentially that before the House Ways and Means Committee in May, and both this administration and its predecessor has successfully resisted quotas except for certain agricultural goods enjoying price support. Thus it seems that the objection to the tariff is actually nothing more than subterfuge for objecting to effective import limitations.

Most often cited obstacle to the tariff is the so-called unconditional most-favored-nation clauses in trade agreements, which are supposed to have the effect of barring imports from most desirable sources defense wise—that is, in the case of oil, Canada and Venezuela.

The most-favored-nation objection is vastly exaggerated as an obstacle to realistic import limitation. In the first place, all our trade agreements, as required by Congress, contain exceptions to this principle for commodities vital to the national security. With respect to oil, the agreement with Venezuela has just such an escape hatch. Moreover, not to use this exception to enhance our national security would be unthinkable. There is, and can be, no good and sufficient reason for the United States or any other nation not to protect an industry vital to its security. National security is consistently recognized as paramount, and there can be no valid agreement which would prevent restraint on the importation of goods on which this Nation cannot become dependent without jeopardizing its security.

In addition, even the GATT agreements themselves provide exceptions to the favored-nation concept which are being utilized increasingly by other nations to enact restrictive measures. One of the most common exceptions in vogue now to escape favored-nation obligations is a common market or free trade area. There is no valid reason why the United States could not negotiate such an agreement with source countries in the Western Hemisphere which would provide for reduction of regional tariff barriers on a limited basis, and we are a party to no international instrument which would preclude such an arrangement.

In other words, there is no reason why this Congress cannot provide in this Trade Agreements Act for the imposition of tariffs as necessary to achieve the national security objective which all recognize to be involved in the case of oil imports.

6. Lack of stability

Finally, the voluntary program, with its confusion, arbitrary discrimination, and ever changing, poorly defined yardsticks, fails to offer the domestic industry the stability of expectation necessary to induce heavy capital commitments for drilling, exploration, and development.

We have been told repeatedly that the executive department needs a 5-year extension of this act in order to be able to deal with the new European Common

Market and that importers cannot map plans when the trade law is subject to change every few years.

But what about the domestic oil industry? The current program is so vacillating, its real objectives so obscure, that the domestic industry is hardly able to plan from day to day—let alone for years. What oil operator or bank will risk hundreds of thousands of dollars in exploration for new reserves when he has no real assurance that he will have a market for the oil he has already found? The independent depends largely on borrowed capital, which is simply unavailable under today's conditions.

This fact alone would seem to be adequate justification for writing definite clear-cut criteria into the law. If we want to maintain a healthy domestic producing industry, then spell out this policy in clear-cut terms. As the matter now stands, the domestic operator simply does not know where he stands.

We consider it significant that the head of the world's largest oil company and our biggest oil importer, Mr. Eugene Holman, of the Standard Oil Company of New Jersey, said that limitations on imports are necessary to preserve a healthy oil industry. It is not surprising, however, that he and other importing company officials prefer to keep such control mechanism discretionary in the hands of those Federal officials whose predilection to foreign operations is now well demonstrated.

III. FREE TRADE AND PETROLEUM

Our association has no quarrel with an expanded volume of world trade, realizing the mutual advantage to be gained from the wider markets that such an interchange of goods makes possible. We maintain strongly, however, that classical free-trade doctrine is completely without relevance in the world of 1958 inasmuch as the conditions necessary to its operation simply do not prevail. We maintain, further, that even if one grants the free-trade argument, petroleum is a logical special case within that general theory.

1. Free-trade doctrine inapplicable

Free trade—as an economic doctrine—has little or no application to the world in which we live. The theory is forced to make a number of assumptions, the absence of any one of which makes the benefits inoperative.

If this were a peaceful world where goods were allowed to compete worldwide without restrictions, free trade would be an end to be pursued diligently. It is not such a world, however, and those who use free-trade doctrine to advance policy recommendations are either promoting special interest or ignorant of international economics.

2. Conservation as basis for exception

It can be shown, however, that even if one grants the general free-trade argument, petroleum must be considered a special case within that argument.

In the first place, protection of so-called uneconomic production in this country is not a matter of poor economics—but of sound conservation. Unrestricted competition in the production of crude oil could destroy nearly a quarter of our entire oil reserves in a matter of months simply through abandonment—due to competition from new wells—of our stripper and marginal wells.

These wells, which represent an outstanding conservation achievement, could not compete with flush new wells in this country, let alone those of the Middle East producing several thousands of barrels a day. Unfortunately, some of the most enthusiastic supporters of restriction on production of wells in this country are violently opposed to similar restraints on much cheaper foreign production which constitutes a greater threat.

Nearly three-fourths of the wells in this country are marginal or stripper wells, producing on the average only about three barrels a day. Still, these wells—uneconomic in the sense that they cannot compete costwise with other wells—contain nearly one-fourth of our entire known reserves of crude oil.

The techniques of reservoir mechanics are such that these wells, once shutdown, cannot be reopened later and production resumed. They must be kept in production or whatever oil is left underground is lost forever. The fact that we protect these wells from premature abandonment through competition with new wells here in this country represents an outstanding conservation achievement.

To abandon these wells to the impersonal forces of competition would put them out of business almost overnight, with the result that almost a quarter of our crude oil reserves would be lost.

This fact has long been recognized in oil-producing States and is the basis of conservation statutes in those States. There was a period in our history, however—before the enactment of these statutes—when crude oil production was carried out strictly according to company economics. As soon as a well became uneconomic—that is, could no longer produce at a rate that would furnish a profit in competition with flush new wells—it was abandoned. It was this tragic and needless waste of our petroleum resources that pointed up the need for protection of these marginal wells.

The United States is proud—and justly so—of her achievements in the field of conservation. It is this achievement and this system, incidentally, which made possible the reserve productive capacity of more than a million barrels per day on which the free world floated to victory in World War II and which enabled us to remain cool when Middle East oil was shut off recently.

Excessive imports are accompanied by yet another kind of waste. Foreign producers are for the most part also domestic producers. And as imports displace domestic production, they tend to purchase from their own wells and favor their own production over that of independent operators. The result is discrimination, waste, discouragement of secondary recovery procedures, loss of correlative rights, and the problem of unconnected wells. As new wells are brought in, the large integrated companies who own producing, transportation, refining, and marketing facilities as well as their foreign production simply refuse to connect the new wells with the result that drainage and loss of correlative rights occur.

As long as there is no outlook for definite controls on imports, these companies have no incentive to make the capital outlays required for pipeline connections. Today more than 8,000 oilwells in Texas are denied pipeline connections.

The Texas Railroad Commission, which is charged with administration of our conservation statutes in the State of Texas, recently conducted an investigation into the problem of unconnected wells in Texas. In the report of the investigation, Chairman Olin Culberson said: "It seems clear that most of the purchasing companies are withholding connections of new wells at least until it is determined whether Congress is actually going to provide more effective imports curtailment."

I may remark parenthetically here that this situation is eloquent testimony of what the importing companies themselves think of the effectiveness of the voluntary program. They are, in effect, betting that the program with its ineffectual, half-way measures will be continued. Otherwise, if they expected effective controls to be enacted, they would have no reason to withhold these connections.

3. Absence of competition precludes "free" trade in petroleum

The second point on which we base petroleum's exception to free trade is the fact that free trade, in order to be operative, must presuppose competition. If the object of free trade is to take advantage of lower costs through international specialization, the entire doctrine loses its relevance when there is no mechanism for assuring that these lower costs will be passed on to the other nations. Without the restraining force of competition there is no reason to expect that prices will not be set by "what the market will bear" once we have become dependent on overseas suppliers.

By no stretch of the imagination could the term "competition" be applied to the situation that exists today in the Middle East and in Venezuela where a handful of giant corporations control most of the production. With their concessions—obtained with United States State Department aid—and their control of huge quantities of crude oil reserves as well as purchasing, transportation, refining, and marketing facilities in the United States proper, the big international companies sit astride the world petroleum industry like a colossus—defying State conservation authority and so far successfully stalling import controls.

On the subject of competition in the production of foreign oil, O. A. Knight, president of the Oil, Chemical, and Atomic Workers International Union, said in a recent statement:

"We question the existence of a truly free world trade in the petroleum industry. We do not have a situation in which the producing and manufacturing companies of various nations compete with one another in the world market for petroleum products. Instead, we have a worldwide industry dominated and almost entirely controlled by a cartel consisting of 7 corporations, 5 of which are United States owned and controlled.

"We believe that the President of the United States * * * (and) the Congress of the United States should view the movement of petroleum and petroleum products into this Nation not simply as a matter of free trade, but also as a matter of market manipulation by a supergovernment of vast corporations combined into a world cartel."

Whatever may be the degree of concentration of world petroleum power, evidence is abundant that these companies are already charging "what the market will bear" for their oil. A Senate Judiciary Committee subcommittee found that:

"It is a well-known fact that oil from abroad, particularly in the Middle East, is produced at much less cost than in the continental United States. Nevertheless, this cheaply produced imported crude sells at the same price as higher cost domestic crude * * * American consumers do not get the benefit of the cheaply produced foreign crude * * * American importing companies are selling their products at prices based on high-priced American crude and pocketing the resulting high profits."

A similar conclusion was reached in a United Nations Economic Commission for Europe report entitled "The Price of Oil in Western Europe," which said that Middle East prices could not be regarded as "resulting from the free play of competitive forces."

Under these circumstances, it is inconceivable to us how effective oil imports controls can be refused on the basis of free trade. This country does not get the benefit of lower production costs now, and there is even less likelihood that we would share in the benefits once we became totally dependent on overseas sources.

And there is substantial disagreement as to the benefit to our friends and allies overseas from this relatively unrestricted trade in petroleum.

Remember first that most of the revenue from imported oil goes to American companies and not source countries, a fact which may help to explain the increasing hostility toward this country in some areas of the world. I might say here parenthetically that we hear unconfirmed reports that these American companies may soon have to share with foreign companies the profitable business of bringing oil into this country. The ineffectiveness of the voluntary program for dealing with this kind of thing is immediately apparent.

At least one European viewpoint says that United States petroleum policy makes it possible for these giant corporations to siphon badly needed funds from our European friends by charging extortionate prices for petroleum they so badly need as an energy source.

B. N. Darbyshire of Geneva, Switzerland—oil economist and consultant to Migrol, the Swiss petroleum company—has pointed out that the greatest service this Nation could perform for Europe in an economic sense would be to place a tariff on oil imports into the United States. If we did, he says, " * * * Persian Gulf prices must come down, otherwise they (the international companies) would stand proved participators in a grand cartel."

He went on to say that prices of oil reaching the rest of the world would have to reach more logical levels and the cheaper energy so badly needed to raise living standards in Europe would be made available. "If * * * dollar resources were not being used for this purpose (purchase of Middle East oil at excessive prices), many countries would have much larger amounts to invest in development projects and in American manufactured goods."

It may be pointed out, too, that the present United States petroleum policy actually serves to perpetuate the concentrated control of the world's petroleum which has resulted in what Mr. Darbyshire calls "the greatest commercial scandal in the world to date."

The production of crude petroleum in the United States is in the hands of literally thousands of operators, no one of which is able by his actions to influence either price or supply. Here, then, we have a situation approaching the economic ideal of the term "competition." Anyone with the drive and ambition can enter the field—and with relatively small amounts of capital.

Foreign production, on the other hand, is primarily in the hands of a few giant corporations—what Mr. Knight called the super government—who operate under "concessions" granted by the foreign governments. Entrance is either severely restricted or completely forbidden. In oil-rich Kuwait, for example, only two companies are even allowed within the borders.

Up to now, it has been the effect of our petroleum policy to provide these giant corporations with an ever-growing share of the United States market at

the expense of the one competitive segment of the petroleum industry remaining. If this situation continues, we can look for the stagnation of the domestic producing industry and prepare to bargain with foreign governments and the international companies for the oil we need for our security and for our industry.

4. National security basis

Finally, it may be pointed out that every nation has goals which are not strictly economic in character and which may take precedence over economic goals when the two come into conflict. Just as there are values on which the individual cannot place a price tag—his honor, his country, his way of life—so there are aspects to the policy of a nation which outweigh material considerations.

Our Nation is forced to remain in constant readiness to fight for its very existence. National defense considerations take precedence over any other aspect of United States policy.

Our security requires a strong, well-balanced industrial base. This does not mean that we should—or even could—produce everything we need or use. It does mean, however, that we should scrutinize carefully in the light of overall objectives any proposal to sacrifice a domestic industry to the supposed benefits of international specialization.

Particularly under present world conditions, the United States should under no circumstances relinquish her self-sufficiency in any vital defense commodity. To become unduly dependent upon any foreign source for a commodity vital to our national defense would be to invite demands for impossible political or economic concessions as a price of delivery in time of emergency.

Even if foreign oil were cheaper, it may prove much more expensive in the long run if we become helplessly dependent upon it. Even the most rabid free-trade advocates recognize this in principle to the extent that—to our knowledge—none have so far advocated buying the planes and weapons we need for our Military Establishment from cheaper sources abroad.

But if they recognize that we cannot depend on overseas sources for the machines we need to defend our Nation, they still maintain that we should become dependent on unreliable overseas sources for the petroleum we need to run those machines. Their logic seems to go so far and then stop.

IV. CONCLUSION

I would like to preface our conclusions with a brief mention of the many inferences—particularly among those interested in preventing adequate controls on oil imports—that the United States is running out of oil and therefore needs foreign oil. There is no more factual basis for such claims now than there was in 1850 at the inception of the United States oil industry when such cries were first heard.

Prophesies of the end of oil in the United States have an unprecedented record of inaccuracy.

In 1885 the United States Geological Survey said there was little or no chance for oil in California. Since then, more than 11 billion barrels have been produced by that State.

In 1891 the United States Geological Survey said there was little or no chance for oil in Kansas and Texas. I don't believe we need any elaboration on this prediction.

In 1908 the Geological Survey told us we had a maximum future crude oil supply of 22.5 billion barrels. Since that time, we have produced about 60 billion barrels.

In 1914 we were told—this time by the United States Bureau of Mines—that total future production would reach only 5.7 billion barrels. Since then we have produced about 57 billion barrels.

In 1939 the Interior Department predicted that United States oil supplies would last only 13 more years. That was almost 20 years ago and we still have about 13 years' supply.

Ranking with these, perhaps, is a statement of Interior Secretary Seaton last week that "the willingness of individual companies to comply [with the program] will be remembered long after the present program goes out of existence and the United States finds itself using every drop of oil that it can both produce domestically and bring in from beyond our borders. We believe that there simply is no responsible study to support this implication of impending scarcity either here or abroad, and very much fear that this statement indicates the Secretary has accepted without careful evaluation a

baseless assertion which some importing company interests would like circulated but cannot even bring themselves to declare—because they know it would be misrepresentation.

I call your attention to a study sponsored by Resources for the Future, a nonprofit research corporation, the results of which were recently published in a book entitled "The Future Supply of Oil and Gas." This study, conducted by Dr. Hubert G. Nelsbeerl, an outstanding authority on economic geology, concludes that the United States and its adjacent Continental Shelf can be conservatively estimated to contain on the order of 500 billion barrels of oil yet undiscovered (about 150 years' supply) and that by 1975 domestic availability of crude oil in the United States—provided we furnish the incentive to go out and find it—will be about 10.5 million barrels a day. These quantities of oil are available, incidentally, at no appreciable increase in constant dollar cost.

In addition, these estimates do not include oil-shale deposits, estimated at some 900 billion barrels of crude oil equivalent in the State of Colorado alone—and available at only a small increase in cost over natural crude. This small cost increase may be infinitely cheaper than becoming dependent on foreign sources of supply.

There is, then, no need for foreign oil except that induced as a matter of deliberate policy by denying a market to domestic oil and thereby discouraging exploration and development in this country.

In view of the above, then, we submit the following conclusions:

(1) That our national security requires a vital, healthy domestic oil-producing industry, capable of furnishing the petroleum we need in time of peace and war.

(2) That there is no valid reason for rejecting realistic curbs on free-trade grounds. Indeed, restriction is essential to effective conservation as is recognized in the statutes of the oil-producing States.

(3) That the United States has ample petroleum resources to meet all our needs for the foreseeable future—provided the incentive is not denied by excessive imports.

(4) That imports continue to preempt ever greater shares of the United States market at the expense of the domestic producing industry, in effect voiding the conservation statutes of the various States, discouraging domestic exploration and development, and seriously endangering the ability of the domestic industry to produce the petroleum we would need in an emergency.

(5) That in spite of a clear-cut congressional mandate to deal with this acknowledged threat to our national security, the administration has failed to take adequate measures.

(6) That the current voluntary program—by any meaningful standards—has failed completely to accomplish the objectives set for it.

(7) That by its very nature the current voluntary program is inimical to free private enterprise and tends to promote even greater concentration of economic power.

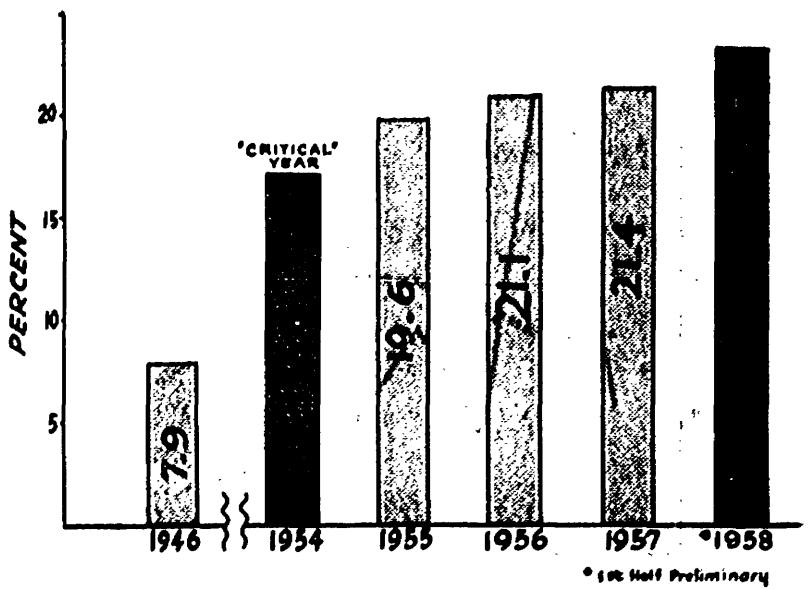
(8) That the voluntary program is now undergoing challenges in the courts which are likely to result in its nullification unless Congress now provides a more adequate legal basis.

(9) That there are no valid objections to providing whatever equalizing duties on oil imports required, the tariff or duty having been generally acknowledged to be the most desirable means of enforcing positive import restrictions while avoiding the risk of expanding Federal controls over domestic enterprise.

(10) That the so-called concessions in the security clause of the Trade Agreements Act as passed by the House are totally inadequate in that they leave corrective measures to the discretion of the executive department which has demonstrated its unwillingness to deal effectively with the problem.

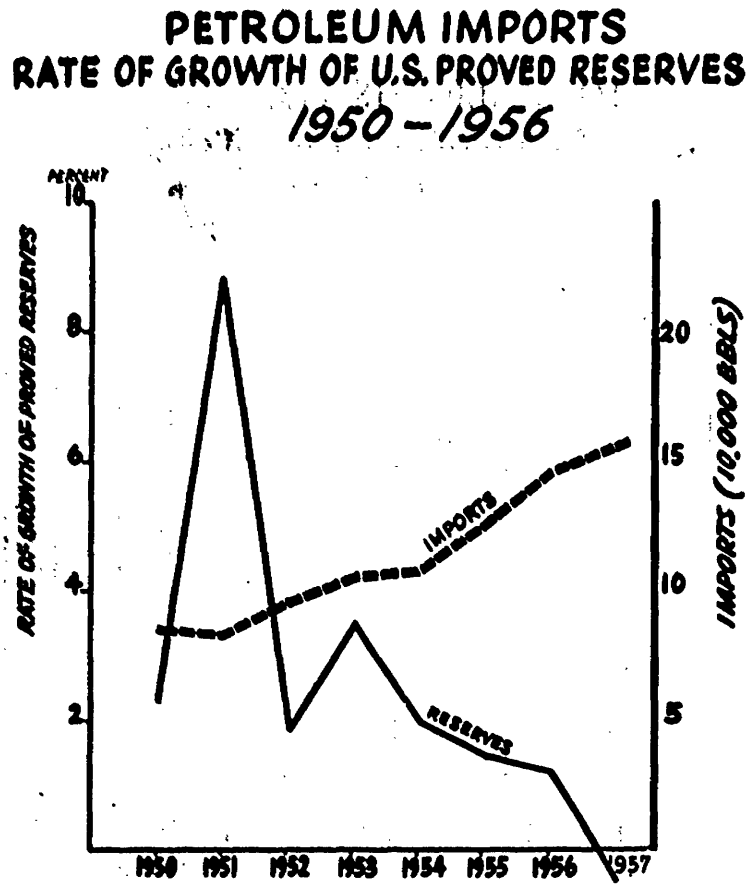
We ask, therefore, that definite, clear-cut criteria for assuring reasonable balance between oil imports and domestic production be written into the Trade Agreements Extension Act of 1958.

TOTAL IMPORTS AS A PERCENT OF DOMESTIC PRODUCTION 1954-1957



Source: API Statistical Summaries.

TIPRO CHART



Source: API Statistical Summary.

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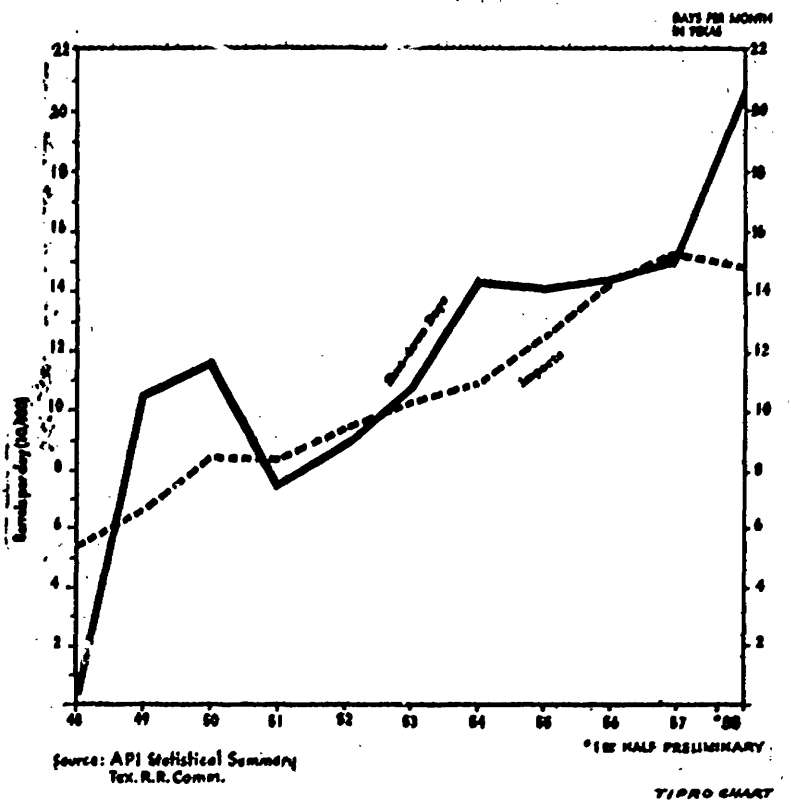
AVERAGE SHUTDOWN DAYS PER MONTH
TEXAS PRODUCTION vs. PETROLEUM IMPORTS
1948-1957



Source: API Statistical Summary
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TEXAS INDEPENDENT PRODUCERS & ROYALTY OWNERS ASSOCIATION,
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WASHINGTON, July 3.—Texas Independent oil producers today asked the Senate Finance Committee to write into the 1958 Trade Agreements Act "definite, clear-cut criteria for assuring reasonable balance between oil imports and domestic production."

Eugene M. Locke, of Dallas, president of Texas Independent Producers & Royalty Owners Association, told the Senate group that so-called concessions made to domestic producers in the House version of the Trade Act were "totally inadequate in that they leave corrective measures to the discretion of the executive department, which has demonstrated its unwillingness to deal effectively with the problem."

Locke based the producers' request for congressional import curbs on contentions that—

(1) The House-revised national security clause in the Trade Act is inadequate to safeguard defense-vital industry;

(2) The Eisenhower administration's voluntary imports control program has failed; and

(3) There is no valid reason under "free trade" principles for not curbing excessive oil imports.

In addition, the independent spokesman charged that constitutional and legal questions which the administration has cited as a barrier to mandatory import controls may not have been removed from the Trade Act.

He said other concessions made by the executive department, such as restrictions on imports of unfinished gasoline and the granting of military contracts only to companies complying with the voluntary program, were illusionary.

Locke said the term "compliance, as it applies to the voluntary program, has been removed from our three dimensional world and endowed with some mystic meaning known only to the program administrator."

"The executive department has amply demonstrated its unwillingness to take decisive action to bring oil imports back into reasonable balance with domestic production, and there does not seem to be any basis for assuming that the minor changes in the wording of the security clause as passed by the House will remedy this record of inaction," Locke said.

As a shocking example of administrative intent, he cited a statement read last month before the interstate oil compact commission by Undersecretary of Interior Hatfield Chilson on behalf of Interior Secretary Fred A. Seaton. Locke said the statement maintained that imports are not too high and that the voluntary program is effective, and that it expressed confidence mandatory controls would not have to be imposed.

"This statement was made immediately after the administration had conceded the additional verbiage written into the security clause that industry growth, exploration, investment, and development were to be considered in determining whether imports were excessive," Locke declared, adding:

"The statement was made at a time when domestic production is down to the 1932 levels, when exploration and development have fallen precipitously, and when this Nation last year did not even drill enough wells to find enough new oil to replace that we used.

"Can there be any doubt that there is no hope for the domestic oil industry in executive department 'discretion'?"

Locke maintained that another administration concession written into the House version, which would permit the duty on oil imports to be raised from its current maximum of 10.5 cents per barrel to 31.5 cents, is unrealistic. To make this provision meaningful, he said, the law should provide for a 50-percent increase in the ad valorem equivalent of the duty existing in 1934. This would offset inflation and keep the duty effective, he said.

"We are told that the voluntary program has come within 2 or 3 percent of its goal. For the most part, such statements are based on the meaningless criterion of the number of companies complying, not on the quantity of oil being brought in," Locke declared.

"Administrative officials have succeeded in creating great confusion as to the effectiveness of the program. Some Members of Congress have been led to believe that imports were reduced under the program from 1.5 million to under 1 million barrels per day. Actually imports have averaged about 1,480,000 barrels daily so far this year and remain at near-record levels. Percentagewise,

total imports have increased from a 10.6 percent ratio to domestic production in 1954 to 23.5 percent in 1958."

Locke said the voluntary program had failed to implement a congressional mandate issued in 1954 and "has failed to achieve the relatively modest objectives laid out for it in the Cabinet Committee report of 1957."

"Even had it achieved the success claimed for it, the program would be undesirable in that it invests too much arbitrary economic power in the hands of an administrator, tends to encourage concentration of economic power, and fails to produce the long-run stability of expectation so necessary to induce capital outlays for drilling and development," the producer spokesman stated.

According to Locke, a gray market has sprung up among oil companies, by which companies with import quotas "are peddling them among their less fortunate colleagues at prices running as high as 65 cents a barrel."

"The voluntary program is by its very nature inimical to the maintenance of competition within the petroleum industry. Some form of equalization or competitive duty should be imposed. This would allow economics to decide what companies would import and in what quantities."

Senator DOUGLAS. Mr. Rogers.

STATEMENT OF ELMO F. ROGERS, PRESIDENT OF THE FEDERATION OF INDEPENDENT OIL UNIONS; ACCOMPANIED BY JOEL D. BLACKMAN, GENERAL COUNSEL; AND LEO MARTIN, SECRETARY-TREASURER OF THE NATIONAL UNION

Mr. ROGERS. Mr. Chairman and members of the committee, my name is Elmo F. Rogers, I am president of the Federation of Independent Oil Unions.

With your permission I would like to read my brief statement. It is very short.

Also I have here with me this afternoon Joel D. Blackman, general counsel of the national union and Mr. Leo Martin, secretary-treasurer of the national union.

The Federation of Independent Oil Unions is a national labor organization composed of independent labor unions representing employees of oil and allied industries.

Senator BENNETT. May I interrupt at this point to ask you what does the word "independent" mean?

Mr. ROGERS. It is a group of independent unions which are tied in neither with AFL or CIO unions.

Senator BENNETT. Thank you.

Will you proceed?

Mr. ROGERS. We are here to testify to the serious impact on the employees in the petroleum industry as a result of the increasing amount of imports of crude oil and refined products. The primary aim of the employees represented by our group is to earnestly urge the Congress of the United States to pass such legislation to afford the protection and safeguard of our national security and, at the same time, protect and safeguard our individual economic security.

Facts and figures regarding imports of crude oil and petroleum products have been submitted in volume by those who have already testified. These facts and figures are already in the records; therefore, it would be of no avail to burden the records further or use time in presenting all of these again.

The number of employees engaged in the production of crude oil, natural gas, and processing of crude petroleum is dependent, to a

large extent, on the rate of production and processing. For example, it has been determined that since 1946, for each 20 barrels per day of increased production, the industry has added an average of 1 employee. Using this factor, we find that approximately 15,000 additional employees in the oil industry would have been necessary in 1957 to produce domestically the 300,000 barrels per day that was imported above 1954 ratio to domestic production in spite of the efforts to restrict imports through the voluntary import program.

The importation of crude and refined oil products directly affects the number of employees engaged in production and refining of crude oil as reflected in the following figures. United States production of petroleum and natural gas decreased from 8,548,000 barrels daily in March 1957 to 7,069,000 barrels daily in March 1958, a decrease of 1,474,000 barrels daily. This decrease was reflected in the employment of oil workers. According to Bureau of Labor Statistics, the number of employees engaged in production decreased 22,600 for the same period.

An oil employee losing his job due to excessive oil imports also directly affects the jobs of approximately three-plus other American employees engaged in service occupations. In other words, a chain reaction of unemployment has been started which viciously attacks the economy of individual States and our country.

The entire economy is geared to oil in States in which the production and processing of oil is the chief industry. Because three-plus workers are dependent on each employee of the oil industry, many will become unemployed if imports continue to increase. When scores of drilling rigs, exploration crews and other production crews are forced to remain idle, the impact is terrific on labor. Right now large oil well servicing crews have much of their equipment idle. This affects the groceryman, the laundryman, the auto dealer—in fact, right on down the line in every business the impact is felt in the form of unemployment.

Oil employees realize the foreign trade is necessary, but when imported crude and petroleum products become excessive to the point of depriving them of their normal rights and job security, it presents a very serious personal problam. It is next to impossible to explain or convince those employees that oil imports are necessary so that the economy of a foreign country might be advanced. When oil imports reach the point that American workers' wages and jobs are jeopardized, then something needs to be done to curb excessive imports of petroleum and petroleum products.

Unemployment is created by loss of taxes to Federal and State Governments by the reduction of production and processing of domestic crude petroleum. Loss of taxes due to excessive importation of crude petroleum and refined or partially refined products tend to cause individuals to be burdened by higher taxes to take up the slack. Of course, this loss of taxes cannot be fully compensated from other sources; therefore, unemployment will increase because of the lack of Government funds to build roads, aid schools, and pursue many other Government projects.

To further protect the American oil worker, it looks logical and fair to remove the 27½ percent tax allowance for depletion on overseas oil while permitting it to remain on domestic production; also to require royalties paid to landowners and foreign governments to be charged

off gross income as a normal business cost, as is the situation in domestic production, rather than to permit the taking away of such royalties from net income taxes, as is now allowed United States companies operating in foreign countries. This procedure would increase our own Government income from taxes, thereby lessening the burden on the individual taxpayer.

Crude oil stocks as of April 1958 are at an alltime high of 281.2 million barrels which is 20 million higher than expected.

Many companies that produce oil have stacked and set aside their drilling rigs and equipment. The independents who have drilled 80 percent of the exploratory wells are the hardest hit.

Many large companies are withholding capital expenditures based on the unfavorable economic outlook.

From the increase in the number of importers announced recently, many companies evidently have decided to spend their money on expanding and building new refineries in foreign countries.

Capital expenditures for drilling and production so far this year do not compare with the approximately 54,000 wells drilled last year. In fact, expenditures for exploration and drilling will be 6 percent below the 1957 amount of approximately $4 billion.

Unless a change is made in the trend the oil industry has fallen into, the American oil worker will suffer the brunt of this crisis.

Our country is under a strict conservation program, while the countries from which crude oil is being imported are allowed to produce without limitation. Excessive imports will force hundreds of marginal and stripper wells to be abandoned, which means the resources from most of these wells will be lost forever. It is estimated that approximately one-fourth of our present production comes from these marginal and stripper wells. Furthermore, excessive imports will also tend to discourage exploration and drilling. This, of course, will reduce our known oil reserve. These conditions would not only endanger our national security, but would also result in a great impact in the labor field of oil workers.

We must never forget the effect of oil imports on our national security. The unemployed are not only financially depressed but are likely to become mentally and morally depressed as well. Psychologically these people are easy bait for our enemies.

No one would seriously consider locating our ballistic missile plants on some remote island in the Far East. Why then let our Nation get in the position of depending on securing oil (a vital product in case of an emergency or war) from foreign fields?

The Suez Canal crisis proved we can't depend on foreign oil.

The importation of crude oil and oil products apparently does not help the consumer. Observing retail prices, it appears that companies, especially on the east coast, importing oil and processing it do not pass on to the consumer any part of the lesser cost of products processed from imported crude oil. In other word, oil products processed from imported crude oil or partially processed oil products are sold for the same as those processed from domestic crude oil.

Again, the American worker is forced to give up his high standard of living because his job has been given to foreign labor working for a lesser rate of pay. Apparently the only one gaining financially is the importer or processor of the imported petroleum and petroleum products.

The voluntary limitation on crude oil imports, pursuant to an Executive order issued in March 1958, has to a small degree alleviated the pressure. This indicates that a limitation on imports is a step in the right direction. However, since this program is still on a voluntary basis and since it is presently being attacked as an illegal use of legislative functions by the executive branch of the Government, it behooves the Congress of the United States to take the necessary legislative action warranted by the present critical situation.

Some may contend that the replacement of our domestic production of petroleum with foreign production is inevitable, and consequently the displacement of employees in the oil industry and their absorption in other fields of endeavor is the only solution to our problem. We wish to point out, however, that this problem is not as simple and workable as may appear on the surface.

Many of the employees have over the years established seniority in their jobs which was intended to give them job security in their older years when it would be most difficult for them to obtain new employment.

Furthermore, they have participated in retirement funds that were set aside in lieu of wages, and which were intended to give them old-age security.

Forcing these people to seek new employment in other fields, which are presently already overcrowded, would cause them to lose all that they have gained and for which they have labored so long to obtain a secure and happy retirement in old age.

Such a disillusionment and disruption would no doubt force many of the more highly skilled workers in the oil industry to leave their native land in search of employment in the foreign oil fields which have replaced our domestic industry. Even so, they would be compelled to accept lower rates of pay and accept lower standards of living for themselves and their families. This could lead only to bitterness in their hearts and loss of respect for the great country for which so many of them have nobly fought and were told that their country was the "Arsenal of Democracy."

Mr. Chairman and members of the committee, we again submit to you that the oil workers' problem is presently a most serious one, and we respectfully urge your serious consideration in enacting the necessary legislation to help maintain a permanent and stable economy in the American oil industry.

Senator DOUGLAS. Thank you very much, Mr. Rogers.

The final witness is Mr. Richard Kithil, of the Carwin Co., North Haven.

STATEMENT OF RICHARD KITHIL, VICE PRESIDENT, THE CARWIN CO.

Mr. KITHIL. Gentlemen, I appreciate the opportunity to be before you, and it is so doggone late I will not read, but comment quickly.

Perhaps I should, as the previous speakers have done, introduce myself.

I am Richard Kithil, vice president of the Carwin Co., of North Haven, Conn., which is a small business employing about a hundred people, and we manufacture industrial organic chemicals.

It so happens we are customers of the oil industry not only for fuel and power, but for benzene and toluene and other basic raw materials.

We have some sympathy with them. We started this business back in 1934, and have always been able to compete with Du Pont, Allied Chemical, Cyanamid, and the other very large companies, because we are able to obtain costs that are equal to theirs.

We are able to process efficiently. We are at this point, because of repeated experience with the administration of the Trade Agreements Act and the rather traumatic experiences of seeing our testimony before the Tariff Commission and the Committee for Reciprocity Information ignored, with the result that the duty on our product line has been reduced by 40 percent at Torquay, which goes back to 53 or 52, somewhere in that area.

This warrants us to go into a program of development of products that would not be open to competition that we could not meet, and there is only one kind of such product in the organic chemical industry.

This is the type of product that is proprietary, thanks to a patent on a composition of matter, a useful composition of matter.

This required that we become inventors and that we organize ourselves to this end.

We have consistently since 1952 spent 10 percent of sales on research and development to this end, and believe me, this is an awful lot for a small company to support.

We have developed certain inventions that promise in time to bring our particular small enterprise over the hump of being subject to foreign competition.

These things are in the patent office now. We hope to see patents issue; we do expect in the normal course of events from a long period of history in this industry, to require at least 7 years from the initiation of an invention to the initial reaping of commercial rewards.

It takes this long to commercialize a new concept in this industry particularly.

It may take longer in some and shorter in others.

We are at this stage—we have, however, the problem of existing until we can start becoming independent of foreign competition.

In the meantime, we have seen foreign competition grow each year, and at this point this year we see it amounting to boatloads of chemicals, and I have something here that is an extract from the ship manifests, and this, incidentally, is all of the information that we have, the ship manifests arriving at various ports that carry chemical commodities.

This information is derived from the New York Journal of Commerce and I have just a few sample days which cover periods from April, May, and early June, of this year, and I might point out that these are identified in basket categories as chemicals, as pharmaceuticals, as dyes, colors, things of that nature.

We don't know what of our particular commodity line are included in this.

We have substantial reason to believe that appreciable amounts of our particular products—we only make some twenty-odd products—are included in this list.

The reason we have this belief, is because our particular business on these 20 commodities is somewhat less than our customers business level at this time.

We suspect strongly, but cannot prove that the difference is imported goods.

Nobody is very proud of importing in this industry. They are all on the fence, and they won't admit it when they do despite the very close relations on all other planes with them.

This, incidentally, is a rather unfair thing, at least in my opinion.

The Customs Division of the Treasury Department is not permitted to reveal the nature, the specific nature of these basket categories of imports.

If we knew this, we would know whether it would hurt now or not. As it is, we have to wait 18 months until the Tariff Commission provides an annual summary of what went on a year and a half ago. In that year and a half, we coud stay out of business.

Senator DOUGLAS. Are you say that companies which want a higher protective tariff on the goods, which they produce and sell, are purchasing from abroad?

Mr. KITHIL. No; they buy their raw materials.

Senator DOUGLAS. Ingredients which compete with you?

Mr. KITHIL. Yes; that is correct, and incidentally, we have a perfect example of that, the Sumner Chemical Co., who purchased one of our products, makes a pharmaceutical, were a party, the prime party, to a peril-point investigation in which the majority of the Tariff Commission recommended to the President that injury be found.

The President ignored this and did not act accordingly.

Among the recommendations that were made by Government witnesses before the Tariff Commission was the recommendation from one Government witness that the Sumner Chemcial Co. buy their raw materials abroad.

Senator DOUGLAS. Buy their raw materials abroad?

Mr. KITHIL. And they did and we are out of that business.

We can understand they had to because their finished product was coming in and pushing them out of their business.

We are the ones who suffered in the final analysis.

We were not a party to this particular investigation, excepting directly we were a curious and interested party.

Senator DOUGLAS. Would you say as a general rule that people want protection on the goods which they sell, and free trade on the goods which they buy?

Mr. KITHIL. There is probably a very general thing. I would agree with you, Senator.

However, we do not feel that this is quite to the best interest of the country as a whole. We would go along with the people who believe, and we believe this, too, that it is necessary to support a certain amount of foreign trade in order to prevent economic chaos from occurring elsewhere in the world.

The degree to which it is supported is the thing with which we take issue when all of a single commodity or basket of commodities, either one, such as petroleum, perhaps, or such as a chemical or a group of chemicals are permitted to come from abroad and completely throttle this industry here, this is where we take issue.

We would go along thoroughly with a system of product by product imports and, honestly, I do not believe from the contact that I have had with the customs administration, and I have been active in this sense, that it would be any more complex to administer a product-by-product import quota system, than it is to administer a product-by-product customs duty system, which we now have.

I am just a little shocked, and this is far beyond my written testimony, to find that of the whole organic chemical industry representing about 250,000 employees of all categories, in this country, that I am the only company representative here.

I am shocked by this because I know damn well that every one of them are in the same boat or are going to be.

They are letting Joe do it.

This is the kind of apathy you run into, elections, too.

Senator DOUGLAS. How do you account for it?

Mr. KITHIL. I account for it by the same mechanism that we see 40 to 50 percent of the voters turn out for an election.

They are just apathetic. They think they have lost the game.

Senator BENNETT. The industry has been represented by a spokesman?

Mr. KITHIL. Yes, I read it by Mr. Graf, of the Synthetic Organic Chemicals Association. I happen to be on the board of governors of that association.

Senator BENNETT. The staff also reminds me that you are limited to one witness for an industry by the rules set forth by the chairman for these hearings.

Mr. KITHIL. Perhaps I shouldn't be here, then.

Senator BENNETT. You are one witness representing your type.

Mr. KITHIL. I am representing my company.

Senator BENNETT. Your company and your type of operator, but your industry has been represented adequately within the specifications of the hearings.

Mr. KITHIL. Quite likely. I still am shocked, Senator because there are so many other individual companies who have been injured and stand to be seriously injured.

Senator BENNETT. We have had a problem of limiting the total number of witnesses as well.

Senator DOUGLAS. We have to impose quotas, too.

Senator BENNETT. That is right. We have to impose quotas.

Maybe your wonder is how you slipped through.

Mr. KITHIL. I do wonder that, frankly. [Laughter.]

I wonder that. I also wonder at the patience you have displayed to hear all of this.

Senator DOUGLAS. We are very happy to do it. It is very interesting.

Mr. KITHIL. I do, summarily, feel that we are but representative of a vast number of small companies, who are in the same boat or who will shortly be in that boat, and I do urge your consideration of this problem, and thank you very much.

Senator DOUGLAS. We will print your prepared statement as well as this statement.

Mr. KITHIL. Thank you, sir.

Senator DOUGLAS. Thank you very much.

Mr. KITHIL. Thank you.

(The statement, in full, of Mr. Kithil is as follows:)

STATEMENT OF RICHARD KITHIL, THE CARWIN CO., NORTH HAVEN, CONN.

I am Richard Kithil, vice president of the Carwin Co. of North Haven, Conn. My company is a small business employing just over 100 people in the manufacture of industrial organic chemicals. I am here to bring to the Senate Finance Committee our views on H. R. 12591 on behalf of these 100 people and our 165 stockholders.

We were started in 1934 in a business that immediately lead us into competition with some of the largest chemical enterprises and thanks to a system that permitted equality of product costs we found ourselves able to compete and thrive in the face of the vastly larger resources of our competitors. This permitted us to grow in the business of making and selling dye intermediates until after World War II, when we first saw domestic ability to compete diminished by the negotiations under the Trade Agreements Act, conducted at Torquay, England. At this time the negotiators ignored our testimony given before the Committee for Reciprocity Information and cut the duty on our entire product line by 40 percent.

This was a warning to us to engage in a program of development that would lead to products that would not be subject to competitors whose costs we could not meet or else find ways of making our dye intermediates at costs very greatly below those that were current in domestic industry. We were already operating efficiently and knew there just was not any possibility of cutting our costs nearly in half. We knew what our competitors' labor and salary costs were in Germany, England, and Italy, and Japan and embarked on a program designed to discover products that would not be as vulnerable, when we saw that the escape clause did not provide any relief even when we were specifically injured, as follows:

We had made and supplied to the Sumner Chemical Co., of Zeeland, Mich., one intermediate that they used to make a drug, para aminosalicylic acid or PAS as anyone with tuberculosis calls it. They filed an escape clause action which was approved by a majority of the Tariff Commission but denied by the President. This action very clearly indicated that we were in a business that lacked stability, and we went out of the business of making this particular intermediate, because we could not compete with the imported product that our customer was then forced to rely on to remain in his business.

Since that time we have seen other negotiators at work at Geneva, and again testified before the Tariff Commission and before the Committee for Reciprocity Information that our business would be destroyed before our plans for less vulnerable products could mature if tariff cuts were made on dyes and pigments since these are our customers' products. This time these products were not negotiated away. Probably because these industries are of importance to defense. Certainly not because any one cared if we stay in business.

The effects of Torquay are only this year coming into their own. Another product we used to make at the time of Torquay, beta oxy naphthoic acid and derivatives, has had over half of the market taken by imported product, all sold at lower prices than domestic producers can meet and still provide any return even with the most highly mechanized and efficient methods. These products were given special treatment at Torquay and illegally carved out for special reduction beyond those given our other products. To date this illegal act has gone unchallenged. We have neither the time or resources to challenge it ourselves, and apparently there is no police mechanism within the Government to make sure the law is observed by Government. The reason it has taken this long for the effects of Torquay to take half this market is that it has taken our foreign competitors this long to build enough capacity to produce to absorb the world market and have enough extra capacity to absorb an increasing share of ours as well.

If this example of unfairness on the part of Government to industry is not enough, I would like to state there is another one. We are required by law to disclose to the Tariff Commission for publication annually detailed figures on our production and sale of products. For 60 cents anyone in the world can have a copy.

At the same time we are denied information from the Customs Bureau of the Treasury Department of the specific nature of products and their origin when they are imported into this country. I have here lists of chemicals that were

imported in a short period of time very recently. This is all the information we are able to get and it is in such general terms that we cannot discern whether our particular products are among the boatloads being brought in. We know that we stand substantially injured at this moment, but we cannot be certain to what degree this more recent injury is due to importations and what degree it is due to the current business slump. We know that our business on intermediates appears off more than that of our customers and hence feel but cannot substantiate that the difference is imports. This, too, needs legislative correction. This background may be necessary to explain why we take particular issue with H. R. 12591, which simply extends, aggravates, and perpetuates the injurious situation domestic business is in as a result of the Trade Agreements Act as it has been for the past years. I have followed this subject as closely as the requirements of a demanding business permit and have been impressed by four points:

First: Tariff manipulation is an archaic way to control or stimulate trade and since the revenue reason is negligible, should be abandoned in favor of a detailed product-by-product import quota system, administered by congressional appointees.

Second: Of all of the proposals put forth to date the most sensible one I have read is that of Mr. Dorn, known as H. R. 12512. I would urge that this be given serious consideration.

Third: Passage of H. R. 12591 with its 5-year extension will abort the good that will come of the Customs Simplification Act of 1957. I have helped work on details of tariff reclassification and see how badly needed this is.

Fourth: I gather that your committee is interested in finance—we are among the group who contribute money as taxes of all kinds so that you can have some finances to be concerned about. We may not be important to you, but we are just one of many small businesses like us, and in the aggregate are vital to our country's strength. We do not want and will not accept Government subsidy, we want to compete openly and fairly. The escape-clause provision of H. R. 12591 have been demonstrated to be inadequate to preserve the small-business segment of domestic industry.

I thank you for hearing my statement and will welcome the opportunity to answer any question within my ability.

Senator Douglas. This concludes the hearings and as I understand it, the chairman wants to close the record at 3 o'clock this afternoon, is that true, so that all groups will have until 3 o'clock?

Do I further understand that the next meeting of the committee will be on Tuesday morning in executive session?

I am advised that is true.

We stand adjourned until that time.

(Mr. W. A. Delaney, Jr., of Ada, Okla., originally scheduled to testify on July 3, was permitted by the chairman to make his presentation on June 24, with the understanding that it would be printed in the record of July 3. The testimony, interrogation, and prepared statement of Mr. Delaney follow:)

STATEMENT OF W. A. DELANEY, JR., ADA, OKLA., ACCOMPANIED BY HON. JOHN JARMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. Delaney. I deeply appreciate the kindness and consideration of the chairman and the members of the committee and of yourself in giving me this opportunity to be heard out of turn.

For the purpose of the record, I would like to briefly recite my background.

My name is W. A. Delaney, Jr. I reside at Ada, Okla. I am an independent producer of oil and gas. Professionally, I am a lawyer, having been admitted to practice in Oklahoma in 1914.

My first connection with the petroleum industry began in 1913 when I assisted in assembling a block of acreage and in the promotion of the drilling of a wildcat well.

Since that time my entire adult life has been rather closely involved in some phases of the oil business.

I have had actual experience from working on an oil rig, the assembling of leases, doing surface geology, reservoir studies, some experience in the refining industry as a result of employment as an attorney, have engaged in the natural gas transportation business, and in that production, and my experience in that regard extends from Louisiana, Arkansas, Texas, Kansas, Oklahoma, Illinois, and Wyoming.

I have participated in the drilling of wells ranging in depth from 8 or 9 hundred feet to as deep as 14,000 feet or more.

I have been deeply interested in the conservation practically all of the time that I have been interested in the oil and gas business.

I served as chairman of the committee which wrote the rules and regulations under which the corporation commission of Oklahoma presently functions.

I happen to be the first person who ever secured a well spacing order from a regulatory authority for the orderly development of an oilfield.

Some 18 months ago the Interstate Oil Compact Commission executive committee established a committee for the purpose of studying the effect of excessive oil imports on State conservation programs, and I was designated as chairman of that committee.

The committee is composed or was originally composed of 11 members selected from the various States comprising the executive committee of the Compact Commission.

I do not appear here in anywise as a representative of the Compact Commission or as a representative of my committee or as a representative of any trade organization or group, and do not wish to have any remarks that I may make attributed to those groups.

I am simply here rather typically as an independent oil producer who is much affected by the question that the committee has before it.

The first thing that I would like to discuss briefly is the fact that I think section 7 (b) needs strengthening in this respect: The Constitution places the duty, it is defined clearly, that the defense of the Nation and those things involving it is a direct duty and obligation of the Congress.

Section 7 of the existing Trade Agreements Act delegates very loosely congressional authority without any directive as to its administration.

It is a blank check that extends too far, and without the restraint and restriction of congressional direction that in my considered opinion that it should have.

I think the burden of proof lies in the wrong place.

As it is, it requires an affirmative showing that the national defense is endangered, that security is placed in peril before action may be taken.

It is my thinking that the burden belongs on the other side; that the burden should be to definitely point out and assume the responsibility for any action that may be taken by the Executive by making

a specific finding that the national defense is not endangered before the application of section 7 is made effective.

Senator KERR. See if I understand exactly what you say, Mr. Delaney.

Are you telling us that in your opinion if the Office of Defense Mobilization feels there is justification for concern and to bring about an inquiry on the Executive's part that the national security is endangered, then you feel that rather than his having the burden of establishing that fact, since he feels, since the concern has been created, you feel then that the burden to prove that it is not endangered is on the executive or that he should implement section 7 in the absence of a positive finding that the national security is not endangered?

Mr. DELANEY. That is exactly what I intended to say, Senator, and you phrased it much better than I could.

I do not think that the national security should be entrusted to the ODM or whatever the proper designation of that body is. And under the existing bill as it was passed in the House, it is my understanding that the Cabinet Committee does not have to review, as it did under the existing act.

The ODM makes the recommendation and unless it makes a positive finding that national security is endangered, why then the normal reaction would be to let it slide until something becomes involved, whereas if the positive duty lay upon the Executive under the direction given by the Congress to determine that it is not endangered before he fails to apply the remedies of section 7, why then the responsibility for that act rests squarely where it should be, and that is the weakness in the present situation.

Now, in addition to that, in my opinion, as a lawyer, the delegation is so loosely drawn under the existing law, that it is clearly unconstitutional. I think perhaps some such procedure as defined by the Administrative Procedure Act should be made applicable, and I think that violation should be punished as practiced under the Connally Act as violations of the conservation laws are now punished by Federal enactment.

Now, gentlemen, I will leave that. The thing that I am concerned with is that we are failing to replace the petroleum reserves that we are daily producing.

Texas has been a deficit State in that respect for many years. California has been a deficit State. California perhaps cannot quickly change its position, but Texas has ample petroleum resources that it can again build up an excess productive capacity, if given the incentive to do it.

That is true of Oklahoma. It is true of the Rocky Mountain States, it is true of Louisiana; it is true of the Nation.

I cannot emphasize too much that it is utterly and completely impossible for the States having conservation laws which restrict production for conservation purposes, to where allowables for the wells are at 15 or 20 barrels per day, to compete with wells such as in Kuwait, where 175 wells or less, produce a million, 250,000 barrels of oil a day.

The 175 wells there produce two and a half times the total volume of oil produced by 75,000 wells in the State of Oklahoma, which are

restricted in production to provide an excess productive capacity to meet the market demand of the Nation, both in peacetime and in war.

In Venezuela which has some species of regulation—and I might point out that order and in the prairie Provinces in Canada and in Venezuela, there is no regulation of amount of oil that may be produced anywhere else in the world.

The pump and plunder method of production is applicable in every other nation on earth except in Venezuela, the prairie Provinces of Canada, and in this country, and I cannot think of any means whereby the foreign relations of this country will be more greatly damaged than it will be when the people in those countries whose oil fields we exploit wake up to the fact that we have left literally billions of barrels of oil in the ground unrecoverable for want of establishing there the practices which have proven to be correct and well-grounded in the production of oil in this country.

Senator MARTIN. Mr. Chairman, might I ask a question there? I know it is violating the rule.

The CHAIRMAN. Senator Martin?

Senator MARTIN. What percentage of the oil do they recover in those countries?

Mr. DELANEY. In continental United States?

Senator KERR. No; in countries where there is no regulation.

Mr. DELANEY. I beg your pardon.

Senator MARTIN. In countries where there is no regulation.

Mr. DELANEY. There is no regulation——

Senator MARTIN. I mean what percentage of oil do they recover where they do not have regulation?

Mr. DELANEY. I see what you mean.

Senator Martin, in your own State of Pennsylvania, secondary recovery methods are recovering essentially the same volume of oil from the Pennsylvania oil fields by secondary recovery methods that was originally recovered from the same reservoirs under primary methods.

Senator MARTIN. As I understand what you mean, that if we permit them to go ahead and recover all the oil they can by natural methods and then surrender those fields no one will be able to go back and recover that oil because it would be entirely too expensive.

Mr. DELANEY. That is correct, sir. The oil will be lost, they will then realize that it has been lost, and that the pump and plunder method has worked serious and great disadvantage to the economy.

Senator KERR. The question he asked you is, What percent of the total amount of the reservoir will be lost?

Mr. DELANEY. I would say a minimum of the 60 percent of oil in place. There is no method that we know of yet that will produce all of the oil in the reservoir but by scientific and orderly development and orderly production and an effective secondary recovery program I think we can recover in the order of 80 percent of the oil in place in a virgin reservoir, whereas without the secondary recovery program, absent the orderly production method, then I would say that conservatively 60 percent of the recoverable oil originally in place will be lost.

Senator KERR. Never recovered?

Mr. DELANEY. Never recovered.

Now, I would like to point this fact out: In the first place, the uninformed conception of an oil man is either a tremendously rich

person or a great company such as the New Jersey Co., or Gulf, or concerns of that magnitude.

That is not the truth.

The industry is made up of very small individuals, a man who will own a divided interest in one lease and take in partners and associates for the drilling and development of it on up to concerns of the magnitude of the New Jersey Co. or the Gulf.

But in the exploration program, these small operators last year out of 13,500 exploratory wells that were drilled in continental United States, they drilled 80 percent of them.

Senator KERR. Wildcat wells?

Mr. DELANEY. That is correct.

Now absent that exploration program carried on by small people who do not have access to public funds to finance their operations, it would be a physical impossibility if you gave the oil resources of the Nation to the great integrated companies, it would be impossible physically for them to carry on the exploration program that the small independent producers of the Nation now carry on and they find the oil.

Now they are the people who are being run out of business in droves, they are the people whose employees, drillers, that it takes some years to qualify for his job, their employees are seeking employment in the industries where they can make their experience applicable, and once that group of personnel is dissipated, why, then, it cannot be quickly assembled and put back to work.

I would like to point this thing out: In addition to that, that the refining capacity of this Nation is concentrated in an area of from New York to Philadelphia on the Atlantic coast; from Lake Charles, La., to Corpus Christi on the gulf coast; in the Los Angeles district on the west coast; in the industrial complex around the Great Lakes and particularly in the Wood River area in Illinois and in the Chicago district.

Now four bombing sorties by airplanes armed with Hiroshima-type bombs will render our refining capacity completely inadequate and of no value and it will take 3 or 4 years to replace, maybe 5 years, to replace the refining capacity that could be destroyed in an hour.

That is something that to me is tremendously important.

As far as I am concerned, as an individual or a man in business, I am perfectly willing to take the text of the Trade Agreements Extension Act on page 14 where it states:

The interest to be safeguarded is the security of the Nation.

Senator KERR. Are you reading from the text of the law or from the report?

Mr. DELANEY. I am reading from the report of the Committee on Ways and Means.

Senator KERR. That is from the House committee report?

Mr. DELANEY. Yes, sir. [Continues reading:]

The interest to be safeguarded is the security of the Nation, not the output or profitability of any plant or industry, except as these may be essential to the national security.

Now, I am willing to pitch my case as far as the petroleum industry is concerned on that, because no substance is more essential to the well-being of the Nation, either in time of peace or in time of war, except the food we eat and the clothes we wear, than oil and gas.

It is destruction or the destruction of our productive capacity that will put the Nation afoot. There is a solution for it.

We can and should—as an engineering project, it is feasible to store in exhausted reservoirs the finished products of petroleum.

Now we have today aboveground roughly 270 million barrels of crude oil. The market demand for oil last week was 8.4 million barrels a day in this country.

Now that, on the face of things, would represent approximately a 32-day supply of oil, but that is not the fact, because 60 percent of that 270 million barrels of oil constitutes pipeline fill and tank bottoms that cannot be made available absent the purging of the lines or the withdrawing of the bottoms of the bank below the normal draw-offs.

So instead of having 32 days of crude above ground, we have got about 18 days. That is not true to the same extent with regard to finished products because not so many of them are transported by pipeline.

But in 1930, before the discovery of the east Texas field, we had 431 million barrels of crude oil in aboveground storage, when the market demand of the Nation was 2,000,000 barrels a day and at that time oil purchasers considered that the peril point had been reached when 350 million barrels constituted the aboveground stocks.

Now, those are things that are facts that cannot be disregarded. There is no pipeline capacity to the west coast except about 60,000 barrels a day, which can be increased to perhaps 150,000 barrels a day from the four corners area, New Mexico, Colorado, Arizona——

Senator KERR. And Utah?

Senator BENNETT. I was just going to say you might lose a vote.

Mr. DELANEY. Yes, sir; I beg your pardon—Utah. [Laughter.]

Mr. DELANEY. And incidenally Utah will be within 2 years from today perhaps the principal oil producing State in the Rocky Mountain district, in my opinion. It has a great potential. But for 5 years a group of independent people in Texas have sought to build a pipeline to the west coast. You can build a gas line by simply starting it and a market will seek the pipeline, but to build an oil line you have to own or control the terminal market for the product that is transported through it.

Now, these gentlemen have been to Washington, they have laid their case before the proper authorities, they have been told that when we have a war again that such a pipeline will serve no good purpose because the war will be a 15-minute war.

Now there may come a time when we have 15-minute wars, but there will be survivors, and unless we have some means of moving oil from the midcontinent section to the Pacific coast, that area will be subject to even greater peril in the event war comes, than the remainder of the country because we can, at least, move what we have through pipelines which are not good targets.

Now, I will take only a moment more of your time and that is with regard to the myth that this country is running out of oil.

In the past 2 years in connection with our studies, I have read anything that I could lay my hands on. I have conducted independent studies to the best of my ability.

The average layman, if asked concerning the available petroleum reserves of this country, if he is well informed will 9 times out of 10 quote the figures of the American Petroleum Institute for proven reserves of some 30,333 million barrels of oil as at the first day—the 31st of December, 1957.

The plain fact of the matter is that we are not dependent upon the petroleum reserves of any other nation on earth, either now or in the foreseeable future. The reserve figures, the potential reserves of the Nation have been carefully studied by a number of authorities and if I may take the time to do it, I would like to quote a few of them.

Mr. Egloff places——

Senator FLANDERS. Excuse me. Are you reading from your testimony? If so, give the page, please.

Mr. DELANEY. Yes, sir, I am. This is on page 23 of my statement.

Egloff's estimate of potential reserves is from 1,000 to 2,000 billion barrels.

The estimate of the Interior Department is 300 billion barrels. Hill and others arrive at 250 billion barrels.

Schultz, 200 billion barrels; Murrell, 200 billion, Pogue and Hill, 165 billion, Hubbert, 150 billion, Pratt, 142 billion and Ayres, 140 billion barrels.

Mr. Lewis G. Weeks, chief geologist of Jersey Standard recently estimated that including past production, total ultimate potential resources of crude oil and natural gas liquids recoverable by conventional primary producing methods under today's economic conditions were estimated in the order of 1,500 billion barrels, of which about 240 billion barrels are in the United States.

This grand total comprises past production up to the end of last year of 100 billion barrels. That is the oil that we have produced since Colonel Drake started.

Until now, it is worldwide.

With proved reserves at the end of 1956 at least at 325 billion barrels and some 1,100 billion barrels of reserves expected to be proved from January 1, 1957, onwards.

With regard to natural gas, Mr. Weeks' total ultimate recoverable resources are put at a minimum of 5,000 to 6,000 trillion cubic feet—the calorific equivalent of about 1,000 billion barrels of oil—including 1,000 trillion cubic feet in the United States, or a crude equivalent of about 200 billion additional barrels of oil, in the country.

In addition to these reserves producible by primary methods, additional oil resources which man may ultimately find ways of recovering by secondary methods, may be just as large as the 1,500 billion barrels of primary resources.

Mr. Weeks quoted recent estimates by the well-known geologist, Mr. Wallace Pratt, that the United States has 535 billion barrels of oil in shales whose content ranges from 11 to 50 United States gallons per short ton of shale, and also a further 1 trillion barrels in shales with a content averaging 10 gallons per ton, and much of that, Senator, is in your State of Utah.

My own study convinces me that within the United States there are ultimate reserves of oil recoverable from primary sources within the range of current economic limits and only reasonable advances in technology, of a minimum of 250 billion barrels without giving consideration to oil which may be recovered from oil shales or synthetized liquid hydrocarbons which may be produced from coal, or by the application of secondary recovery methods.

On the basis of Mr. Walter Jamison's computation which was submitted at a symposium in Torquay, England, in 1956, the national demand, that is the demand in continental United States will be the equivalent of 14,300,000 barrels per day, 700 million tons or at the rate of 5 billion, 5¼ billion barrels per annum.

Taking those figures as the demand, making it effective today, applying my estimate, which is somewhat an average of the others, and a low average, we have 47 years supply of crude oil available by primary methods.

If you allocate the number of Mr. C. M. Nichol's estimate, which he determined might be utilized by nuclear energy in 1965, he estimated that 10 million tons of coal equivalent would be supplied by nuclear energy in the world and by 1975, 200 million tons of coal equivalent would be supplied from that source.

If you utilize his figure which has already been proven by atomic reactor plants under construction, plants for which design has been permitted, plants which are in operation in this country and in England, his 1965 estimate has already been demonstrated to be too low.

But if you apply his figure you extent the period of time when we may rely upon the primary reserves at less than 10 additional years.

Then if you double that on the basis of secondary recovery you add 47 years to it.

So such publications as have been circulated under the authorship of a Mr. Fanning entitled "The Shift in Oil Power Away From the United States" is a myth and not worthy of belief.

Gentlemen, I thank you for the consideration you have given me. I know it is a great deal to ask that any of you devote your time to read this report. If it does contribute anything to your deliberations I will be most grateful.

The CHAIRMAN. Thank you very much.

Mr. JARMAN. Mr. Chairman, may I say just one sentence of appreciation to you and to the committee for hearing Mr. Delaney, a distinguished Oklahoman, out of regular turn.

I know the committee will give serious consideration to the recommendations that he has made to your committee.

Thank you, sir.

Senator LONG. Could I ask the witness one question?

The CHAIRMAN. Mr. Long?

Senator LONG. I am trying to understand how long you estimate the known reserves plus the secondary recovery methods could carry this Nation.

Mr. DELANEY. You are talking about proven reserves?

Senator LONG. Yes. Were you talking about proven reserves?

Mr. DELANEY. No, sir; I was talking about ultimate petroleum resources that are readily equasible—I mean by that there are factors which you can take into consideration, and apply past experience. Those do not take into consideration any advances in technology.

Senator LONG. Were you speaking of potential reserves?

Mr. DELANEY. That is correct, sir.

I might point this out, if I may, it does not take into consideration any serious technological advances, and if you will look back to 1920 when 15 or 16 gallons of gasoline were considered a good recovery from a barrel of average gravity crude oil and compare it with 26 and 27 gallons of gasoline from the same source today why that is an improvement——

Senator LONG. How many years would you say reserves would last? You added 47 years to another period of years, did you not?

Mr. DELANEY. Plus——

Senator KERR. He gave you 47 years from primary oil, 10 years from present nuclear sources and to double that for taking into account secondary oil.

Mr. DELANEY. It would add that to 104 years supply.

Senator LONG. One hundred and four years?

Mr. DELANEY. Yes, sir.

Senator LONG. Thank you.

Senator MARTIN. Mr. Chairman, I would like to suggest to each member of the committee that you very carefully read this statement. I have gone over it hurriedly and it contains information that will be of, I think, great value to all of us.

Mr. DELANEY. Thank you so much, Senator.

Senator MALONE. Mr. Chairman, could I ask just one question? Are you familiar with the estimates that were made during the tenure of Secretary Ickes and others, of the future production of the oil business?

Are you familiar with the estimates of future oil production that were made during the thirties and forties by Mr. Ickes?

Mr. DELANEY. Yes; Senator, I am, even long before that time. For instance, in 1918, a number was applied of existing reserves of petroleum of 7½ billion barrels. I think Mr. David White, who was either then the Chief of the United States Geological Survey or in some position in the Government, made such an estimate. He estimated that the peak of production would be attained in 1920, 1921, that the production would range in the order of 400 million barrels per annum. I think that was the figure.

In 1924, when President Coolidge established the first Federal Conservation Board, that was the end result of studies made by the Geological Survey and by industries which predicted the end of petroleum resources in this country by 1935.

I might point out that if you take the proven reserve figures that exist today, that we have produced the amount with the amount of oil essentially that was reflected in 1939 estimate of proven reserves and now have some 2 billion or 3 billion barrels more proven reserves in existence than we had then.

In other words, we took the estimate, we produced that, and we now have more proven reserves than the experts then estimated we did have.

Senator MALONE. Mr. Delaney, I think you are a very valuable witness because, as a matter of fact, whether you know the same thing exists in most of these underground productions like minerals, we have more proven reserves now of all minerals than we had at the time

people were predicting that in a very few years we would be entirely out of such minerals.

Harry Dexter White who was Assistant Secretary of the Treasury in 1945, made an estimate that you would be out of oil in 13 years. He also estimated that you would be out of tungsten in 2 years and went on with the same prediction through a good many of the minerals as well as fuels.

Well, of course, nothing could be more erroneous, but he wanted to loan Russia $5 billion in order to buy all these materials, and we have had a tendency of becoming dependent upon foreign nations across major oceans for this material.

Now, without prolonging the questioning, some of us believe that in minerals and in oil business when the industry is profitable it is the exploration carried on that continues to find new reserves. Isn't that true?

Mr. DELANEY. Senator, I of course think that is true.

I would not take the position before this committee that any American ought to be given a subsidy to make a profit, except in those things where it is absolutely essential to the national security.

I believe every man ought to solve his own problems.

If he cannot do it why just take what he has got.

Now he has to have incentive to look for those resources that are subject to hazard discovery.

Senator MALONE. Do you think it is a subsidy in either oil or minerals or in fabrics if you have a fixed price or a duty that would make the difference in the effective wages and cost of doing business here and in competitive nations, is that a subsidy?

Mr. DELANEY. I do not think any subsidy is necessary or desirable. I think that——

Senator MALONE. Do you think that is a subsidy?

Mr. DELANEY. I think a man needs to have a market that is reasonably rewarding and reasonably available in which he can market the products of his industry and thus provide employment for people that are engaged therein.

I can point out to you so far as the oil country is concerned, that in Oklahoma, employment in the drilling end of the oil industry is lower, both percentagewise and in numbers than it has been at any time since the bottom of the depression in 1931.

Senator MALONE. The question once more, and I do not want to prolong the questioning: If there was a duty, as the Constitution provides, or a fixed price that made the difference in the effective wages and the cost of doing business here and in the competing countries, would you call that a subsidy?

Mr. DELANEY. No, sir, I would not.

Senator MALONE. That is all.

Thank you.

Mr. DELANEY. I do not consider that to be a subsidy at all.

Senator MALONE. I think you made a fine witness.

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

(Mr. Delaney's prepared statement follows:)

STATEMENT OF W. A. DELANEY, JR., ADA, OKLA., RELATIVE TO THE RECIPROCAL TRADE AGREEMENTS ACT

Mr. Chairman and gentlemen of the committee, my name is W. A. Delaney, Jr. I reside in Ada, Okla. I am an independent producer of oil and gas. Professionally, I am a lawyer, having been admitted to practice in Oklahoma in 1914.

My first connection with the petroleum industry began in 1913 when I assisted in assembling a block of acreage and in the promotion of the drilling of a wildcat well. Since that time my professional and business experience has been largely devoted to the petroleum industry. I have had actual experience in most phases of the industry, including the study of petroleum geology, drilling, development, and operation of producing oil and gas properties, natural gas, transportation and distribution; and through professional connection as a lawyer, some years of experience in the refining and marketing phase of the industry. I have devoted a considerable period of time to the study of economics affecting the petroleum industry as a whole, and more particularly as related to my business interests in the industry.

For many years, I have been interested in the conservation of the oil and gas resources in areas where I have carried on operations, and served as chairman of the committee which wrote the rules and regulations of the corporation commission, presently in force in Oklahoma, governing the conservation, production, transportation, and marketing of oil and gas in that State. It so happens that I secured the first well-spacing order ever issued by a regulatory authority for the purpose of planned, orderly development of an oilfield.

In February 1957 I was appointed as chairman of a committee to study the effects of oil imports on State conservation programs. This committee was appointed by executive committee of the Interstate Oil Compact Commission, and the members of the committee were designated by the respective governors of the 11 States comprising the then executive committee of the commission. After the rendition of our report in Tulsa, Okla., on December 7, 1957, the committee was reappointed, somewhat enlarged, and its directive from the executive committee involves a continued study of our original assignment in view of changing conditions.

In appearing before you, I desire to make perfectly clear that I do not in any sense speak for the Interstate Compact Commission, the executive committee, or the committee of which I am chairman. Neither do I speak as the representative of any trade association, but only as an individual somewhat typical of the thousands of small independent operators who constitute a very large part of the petroleum industry.

My experience derives from operations in the States of Oklahoma, Arkansas, Texas, Louisiana, Illinois, Kansas, Wyoming, and Montana, and includes participation in the drilling of wells from 400 feet in depth to more than 14,000 feet.

The sum of my experience in the industry is recited only that this committee may have knowledge of the background from which I speak.

Except for the food we eat and the clothes we wear, no industry affects the well-being of more Americans than oil and gas. The domestic petroleum industry is basic in the peacetime economy of the Nation; and, in the time of military involvement, it is at the same time our most important weapon and our most effective shield. These facts are my justification for appearing before you today. I am profoundly convinced that the security of the Nation depends upon an immediately available supply of crude oil and finished products to meet the peacetime demands of the Nation or its emergency wartime requirements. I am equally convinced that the ability of the industry to continue to meet these requirements is not only in jeopardy, but in deadly peril.

The petroleum industry of America, contrary to the belief of many, does not consist of a group of tremendously powerful intergrated companies and ultra rich individuals. It is a vast industry composed of thousands of individuals and companies. It consists of operators, who own a partial interest in a single lease, and companies upon whose industrial empire the sun never sets. It contains individuals and companies ranging between these two extremes. In America the small independent oil producers vastly outnumber all other segments of the industry. The Oil and Gas Journal recently posed the question.

"How small is small? Nobody has ever come up with a universal definition of 'small business'. It varies widely from industry to industry. In oil there are scarcely any small business as small as those in the retail or service industries, for example. It takes a lot of capital and usually the combination of the talents

of several men to get into most phases of the oil industry. Some of the very small companies in oil would seem like giants to small-business men in other lines. Yet they may be pygmies alongside the major companies."

Certainly, it would be ridiculous for me to attempt the definition of a term for which such an erudite publication could find no answer; nevertheless, since "fools rush in where angels fear to tread", I will offer what I believe to be at least a practical definition.

I would like to define a "small independent oil producer" as a company or individual which from size alone is excluded from the use of long term, publicly financed credit facilities. There, I believe, is the true line of demarcation between the "large" and "small" in oil.

The small producer must depend upon his own resources, or upon the sale of acreage, or an interest in his leases, and the dryhole contribution of others when he engages in an exploratory operation. If he is fortunate and his operation results in the discovery of a new source of oil or gas, in his development program, he must rely upon his own resources and those of his associates in interest, or upon the short-term credit available to him from commercial banking institutions. He has got to receive a return from his production, after taxes, which will enable him to repay, within a relatively short period of time—perhaps a maximum of 5 years—the borrowed capital and interest he has utilized.

Let us now contrast the position of a company I have denominated as "large". In the first place, a company of this magnitude will have a capable geological and geophysical staff—it is better prepared to evaluate the possibilities of its exploratory operations and to carry on its search for oil out of generated capital. In many instances it associates itself with other "large" companies, or resorts to unitization in the drilling of deep and expensive wildcats. When such a well results in a discovery, a few diagnostic wells will be drilled to delineate the pool and to evaluate its reserves, then the company's financial executives will determine the capital required for full exploitation of the discovery and the return of the capital utilized in the exploratory program. A debenture, or some other form of security is offered through public channels and the required outside capital is obtained at a low rate, for a long period—anywhere from 5 to 20 years or more. The "large" company requires a return after taxes of only such sums as will meet the interest and sinking fund requirements necessary to retire its long-term debt. Such a company is therefore enabled to withstand the pinch of restricted allowables and slow return of capital much better than the small independent producer who does not enjoy similar credit advantages.

The next question posed for your consideration is: Is there continued justification for the small independent producer in the petroleum industry? If the domestic oil industry is to meet its obligation to the Nation, the answer must be a distinct "aye".

In an article entitled "Exploration—the Little Man's Domain," appearing in the November 18, 1957, issue of the Oil and Gas Journal, is the following statement—the opening paragraph of the article:

"Exploration is the foundation of the oil industry, and it is in this division that the independent is most prominent. Of some 13,500 wildcats drilled in this county last year, 80 percent were credited to independents. They also play a leading role in every step of exploration prior to drilling the test, from seismic survey to staking the locations."

Absent the vigorous, active independent segment of the domestic oil industry, the people of some of the consuming States of the Nation who are critical of what they refer to as "tax exemptions" would be paying the same price for gasoline and other petroleum products that their counterparts in England and France are forced to pay.

Absent this same group in the industry, we would have been importers for generations and could not have, in any circumstance, met the military requirements of three wars, or the normal, expanding peacetime requirements of the Nation.

All my adult life has been to some extent devoted to the search for oil. It began in 1913 when I helped assemble a block of acreage upon which a wildcat well was drilled. I recall vividly the exploits of such men as Bob Galbraith, Wirt Franklin, Roy Johnson, Roland Smith, Joe Cromwell, Ed Moore, Tom Slick, Dad Joiner, Mike Benedum, and Joe Trees, and the legion of others who have literally "thrown out their hat" to stake a location and bet their shirt on the outcome. These are men, like so many others of their ilk, who have been responsible for the discovery of tremendous reserves of oil where there wasn't supposed to be any oil. These are the kind of men who Michael L. Benedum, the dean of wildcatters, had in mind when he wrote of them in an article in the API

Quarterly—a quotation from which was published in a recent edition of an Oklahoma paper:

"By its very nature, the life of a wildcatter is always a big gamble. Any oilman possessing a sizable amount of wildcat blood shies away from proven fields and steers clear of the accepted practices and conventions of his business.

"The great unknown is his field of operations; the great risks are his companion; the great secrets of nature are the oysters he is determined to pry open. Should the day arrive when the oil industry can't find enough men with this instinct for chance discovery, and this bent for taking on the enormous odds that both nature and a man's economics impose on wildcatting, that will be the time when the industry has grown sick and weary."

To that, it might well be added that when such a time comes to pass, the fiction and propaganda that America is running out of oil will become the truth; and the Nation will be compelled to rely on the uncertainties of imported oil to supply its requirements.

It is a source of much satisfaction to me that I have, in a small way, had a part as a wildcatter, seeking for and sometimes finding oil in unconventional places. It is a source of much greater satisfaction to know that the breed is not dying out. The curiosity, desire, and ambition which have inspired wildcatters since Colonel Drake first showed the way, still burns in the breasts of our young men who look for oil. They, like Mike Benedum and Joe Trees, can meet and overcome "the enormous odds that both nature and man's economics impose upon them," but they can't meet and overcome these odds when they also have to play against a stacked deck.

When I read in the press of the acquisition of properties of large and successful independent companies or individual producers by the great international oil companies, or observe the acquisition of debentures which are tantamount to control, I sometimes wonder with the Bard, "of what meat do these, our Caesars eat, that they have grown so great."

It occurs to me that the capital out of which these acquisitions are being made in alarming numbers can only be generated from operations without this country. When these great companies can repatriate their capital and their profits from foreign operations at 10½ cents a barrel (and in the case of unfinished gasoline one-fourth cent per gallon) and still retain a tremendous arbitrage in profit over domestically produced oil, I become convinced that here lies the answer. Looking down the vista of years to come, I wonder how long it will be before we have approximately the same number of oil companies in these United States that we now have automobile manufacturers.

Captain Carson, under the President's directive, has diligently sought a solution to the import problem by voluntary methods and has made progress for which he is to be commended, considering the tools with which he is forced to work. The recent inclusion of some petroleum products within the limitations of the voluntary program will be beneficial, in the sense that it will prevent the circumvention of the purposes of the voluntary program by devices intended to subvert it.

I am ready to concede that Captain Carson is conducting the voluntary program fairly with great patience and with great ability, but the success of his endeavors to keep the importation of petroleum and its products within limits which will protect the security of the Nation, stands or falls by the voluntary acquiescence of the importers. This does not provide the protection necessary for small operators to continue their exploratory efforts to provide America with the excess productive capacity which must be instantly available to meet our security requirements.

Without the Connally Act, plus heavy penalties which may be imposed in States which have conservation boards, or other regulatory authorities to control the volume of oil which may be lawfully produced, the carefully designed statutes for conservation of oil and gas would immediately become a sham and mockery. When economic pressure upon those voluntarily submitting to the imports program becomes sufficiently severe, or the reward for disregarding it becomes sufficiently great, then the voluntary import plan will become completely impotent and meaningless.

In the late twenties what is now one of the larger intergrating oil companies in order to market its securities, was compelled to acquire a natural gas distribution company to lend stability to securities which it offered to the public. The periods of feast and famine, which had theretofore existed in the oil industry, caused bankers of tneday to regard the industry as a whole from an investment standpoint, somewhat as they would backing a gambler at roulette.

Today when oil producers in Texas are able to market their production on the basis of 8 or 10 or 12 days per month, when a vast percentage of all wells in Oklahoma are limited to a maximum production of 15 to 20 barrels per day with no certainty of continuity of even these ridiculously low allowables, small operators simply cannot finance exploratory an drilling programs. They must have a stable market of reasonable volume to stay in business.

Banks in Texas and in Oklahoma, and in other oil producing States, have been compelled to extend existing loans far beyond the time for which they were originally contracted, or, as an alternative, bring about the bankruptcy of reliable and trustworthy customers.

Since the close of the Korean war, except for a short period of time during the Suez crisis, the noose of construction has been drawn tighter around allowable production in every oil producing State having regulatory authority. The result has been that we are now discovering less oil than we produce each year. Texas and California are major oil producing States which have long been having deficits in discovered oil as compared with produced oil in a given period. Oklahoma, in 1956, joined these States and others by going into the deficit column. In 1957, Oklahoma produced, in spite of low allowables, 81,222,000 more barrels of oil than its operators found in the same period. In 1958, it is my considered opinion that this deficit will be more than 150 million barrels.

When you consider that 76 percent of all the oil discovered in America is found by small producers; when you consider the fact that in their absence it would be utterly impossible for all of the major companies to replace their discoveries, you can see the absolute necessity for a mandatory stable plan for the control of imports of petroleum and its products into this country.

I have heard since I was a boy that we are "running out of oil" in America. Indeed, in 1924, President Coolidge created the Federal Conservation Board for the reason that he felt we were running out of oil. In 1918 the United States Geological Survey made an estimate of total recoverable reserves in this country of less than 7 billion barrels, of which less than one-half constituted proven reserves in the modern strict sense. It was predicted that crude petroleum production would raise to a maximum in 1920 or 1921 of 400 million barrels per year and then gradually decline. A book was published by an eminent professor that in 10 years shale oil would be our main reliance for oil. Based on this assumption, several major companies bought up large shale-oil reserves. Kettering of General Motors told the API in 1920 that the only hazard the internal-combustion engine faced at that time was oil for adequate fuel supply, and that the business community was apprehensive on that point. From then until now the experts within the industry have tended to minimize the reasonable potential of the United States to produce oil.

Our proven reserves, as of December 31, 1957, based upon the method of computation utilized by the API, were fixed at 30,333 million barrels. It must be borne in mind that this estimate of proven reserves takes into consideration only the amount of oil that can be recovered from the then existing reservoirs under the method of production currently in use, and does not even take into consideration those reserves which may be produced by secondary recovery methods, except in those instances where secondary recovery methods are actually in existence and being utilized.

One rarely sees in print a factual estimate of the potential reserves of the Nation. Thus far, few people, in estimating reserves, have taken into consideration advances in technology. There are not statistics except of the sketchiest sort which disclose technological increases in the volume of products of petroleum which translate energy into work. To illustrate a point, in 1920 the gasoline produced from a barrel of crude of average volatility was in the order of 15 or 16 gallons. Today's yield of 26 to 28 gallons of gasoline per barrel of crude of like quality is the rule and not the exception.

Business activity and economic status have much to do with market demand for petroleum products, just as they do with most articles of commerce. A shift in popularity from one end use of a petroleum product to another, or vice versa, profoundly affects the demand. When kerosene was the product most in demand for lighting purposes, gasoline and the more volatile fractions were of little or no value. "Oil for the lamps of China" provided a fertile and profitable field for expansion which was capitalized by the Standard Oil Co. under the leadership of the elder Rockefeller. Many of us, reared in the South, are old enough to remember a familiar sign present in many gin yards. They read something like this: "Don't dump you cotton seed in the gin yard." The shift in demand from cotton to oilseed products has placed a premium on a formerly valueless output

of our cotton fields. The advent of aviation profoundly affected both the quality and volume of gasoline output.

Scarcity of coal or economic drives affected its cost and availability will probably continue to increase the demand for fuel oil for a long period of time. On the other hand, the conversion of aviation from piston-powered motors to jet-propelled power will undoubtedly change the energy requirements of both civilian and military airplanes.

The replacement of existing energy sources by nuclear fission and fusion is an X for which no precise equation exists. Mr. C. M. Nichols in his paper, The Outlook for Atomic Energy, discusses this subject competently and speaks from a background of much experience. Based upon his conclusions, an estimate that atomic energy will replace 10 million tons of coal equivalent by 1965 seems probable. That this figure will rise to more than 200 million tons of coal equivalent by 1975 is not without the realm of reasonable prediction.

Mr. G. P. Glass in his paper on The World Energy Outlook suggests an ever-increasing energy demand. Messrs. Dalton and Senior have compiled a table showing world energy demand for the year 1955 and projection of demand for the decades ending 1965 and 1975. The basis for this table is as follows:

"In table I energy requirements and supplies from coal hydroelectricity, natural gas and atomic power are expressed in their equivalent coal tonnage. The estimates for oil have been converted into millions of tons of coal, taking account of the higher thermal content of oil, and include an allowance for non-fuel products such as lubricating oils, chemical feedstocks, and bitumen."

TABLE I

	Units (million tons)	1955	1965	1975
World energy demand	Coal equivalent	2,735	3,670	4,930
Primary fuel supply:				
Coal	do	1,102	1,290	1,410
Hydro power	do	255	390	560
Natural gas	do	384	540	800
Total		1,741	2,220	2,770
Deficiency		994	1,470	2,160
Atomic power	Coal equivalent		10	200
Balance for oil:				
(a) Assuming atomic power develops at the expense of oil.	Oil	675	1,040	1,460
(b) Assuming atomic power develops without reducing oil demand.	do	675	1,050	1,560

Speaking of petroleum as energy source, the Dalton-Senior paper relies on past performance as a yardstick for future projection:

"One of the lessons of the postwar decade is that the supply of petroleum can be expanded comparatively quickly and without undue pressure on prices. It follows that the above estimates for petroleum demand *may well be conservative* [emphasis added] in that failure on the part of the other fuels to meet the anticipated levels would result in a switch in demand, due to its comparative elasticity of supply."

It is significant to note that 10 of the major oil-consuming countries, which represent only about one-third of the world's population consume about four-fifths of all the oil produced. At this time the United States is by far the largest single consumer, using some 56 percent of the whole in 1955.

History discloses no saturation point for petroleum as a source of energy. The most pessimistic of demand projectors would hesitate to point out the time when an actual leveling off of world demand will come about. The versatility of the hydrocarbon structure has already been demonstrated by chemists on perhaps a wider scale than any other article of commerce. When one compares the singleness of purpose of a refinery of the teen years with a modern petroleum processing plant, the difference is as wide as a comparison between an oxcart and today's most powerful motor vehicle.

With the demand for oil, such as it is in the United States, as compared with the per capita demand of India, China, or even Western Europe, it is inevitable that percentagewise the consumption here is nearer a plateau than it is in other countries; nevertheless, economists looking to the future, estimate that the percentage of world consumption in 1975 in the United States will still be in the order of 41 percent, compared with 56 percent of the total as reflected by the 1955 figure.

Where then is the oil for 1975, 1965, or even 1958 to come from? What of the plans of the international companies in reference to supplying world demand? How do these plans affect the welfare of domestic oil producers? What changes in the programs of conservation will the years bring? How far can the United States of America go in relying upon the oilfields of the world outside North America without jeopardising the national security, the expansion of our economy and the welfare of the people of this country? These are questions for which an answer must be found. These are matters which must be solved to the advantage of this country and with all speed possible.

Again it seems logical to look to the opinion of those experts upon whose judgment and predictions the policy planners of the large international companies rely. "The Changing Pattern of World Oil Movements" is the title of a paper presented by Mr. W. Jamison of British Petroleum Co., Ltd., at the Torquay symposium.

Mr. Jamison aptly states that—

"The whole operation of the oil industry, once commercial crude oil reserves have been discovered and developed, can be summed up as the efficient movement of the oil from the producing field to the appliance which will convert the latent energy into work. At some stage on its journey the oil goes through the complicated process of refining, but the successful operation of a refinery depends to a large extent on the efficient movement of the oil through the processing plants.

"The analysis of world oil movement falls into two elements. One is the geographical movement that results from the locations of supply and demand and subject to the influences of *commercial and political factors*. [Emphasis added.] The other is the physical means of transport which are determined by the very nature of oil itself—a flammable liquid."

THE CHANGING PATTERN OF WORLD OIL MOVEMENTS

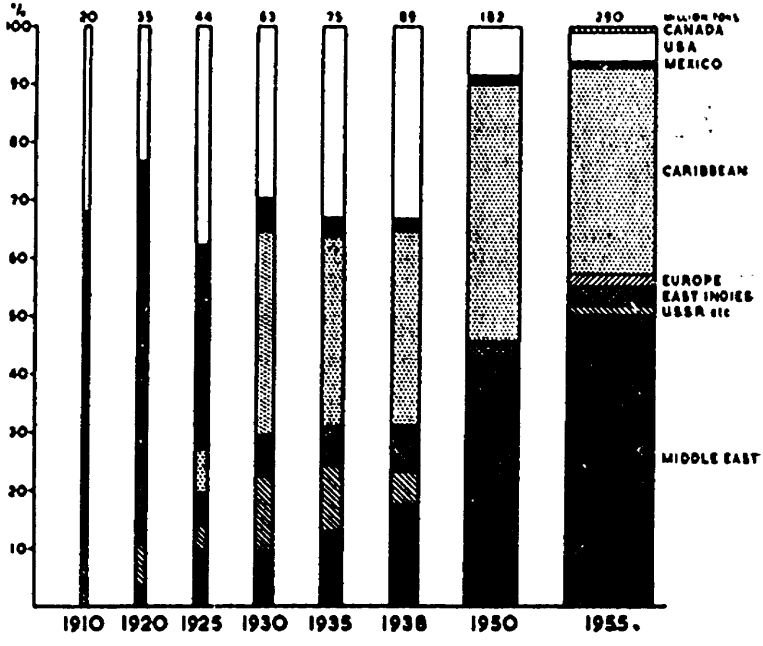

FIG. 3

WORLD OIL EXPORTS BY ORIGIN

For selected years 1910-55

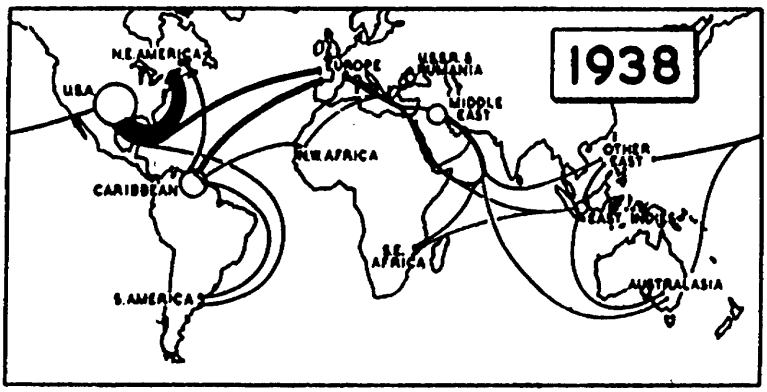

FIG. 4

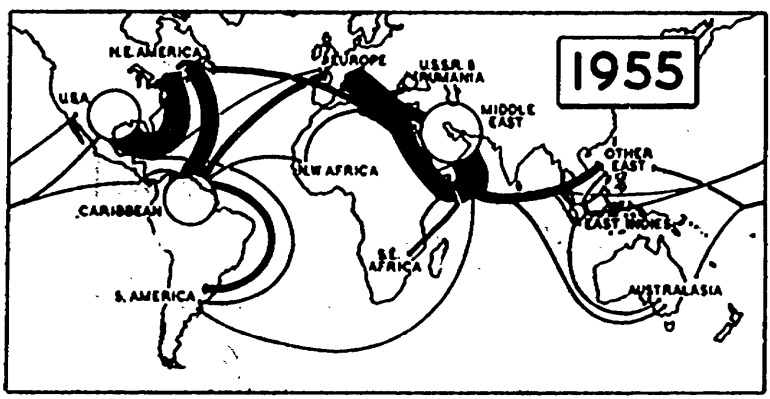

FIG. 5

MAIN OIL MOVEMENTS BY SEA

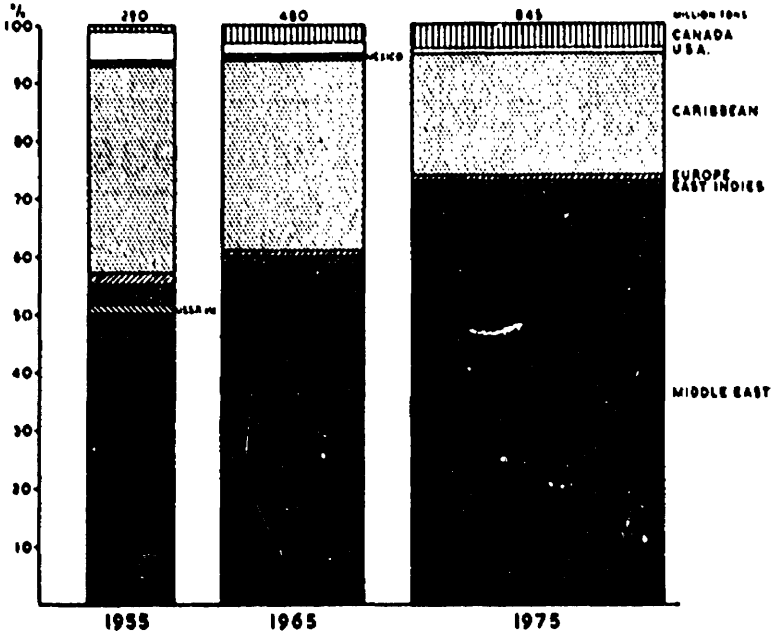

FIG. 6

FORECAST OF WORLD OIL EXPORTS BY ORIGIN

1965 and 1975 compared with 1955

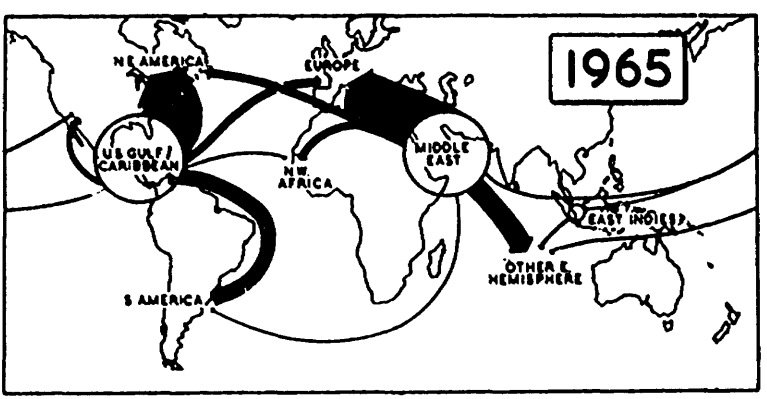

FIG. 7

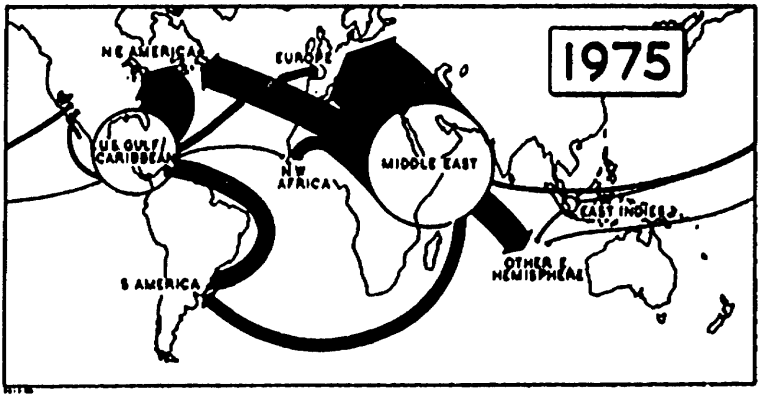

FIG. 8

FORECAST OF MAIN OIL MOVEMENTS BY SEA

There is included on the preceding page as figure 8, a graph showing the basic pattern of world oil movements from 1910 to and through 1955. This graph, a part of Mr. Jamison's paper, illustrates changes in the pattern of world oil exports by points of origin. Figures 4, 5, 7, and 8 are graphs showing main oil movements by sea—figure 4 delineating conditions existing in 1938, and figure 5, those prevailing in 1955. Figures 7 and 8 are the predicted main movements of oil by sea in 1965 and 1975. Figure 6 is a forecast of world oil exports by origin showing 1955 actual movement and the predicted for 1965 and 1975.

JAMISON'S TABLE III.—*Forecast of world supply and demand excluding Russia, Eastern Europe, and China*

(Demand expressed in crude oil equivalent million tons)

	1955		1965		1975	
	Supply	Demand	Supply	Demand	Supply	Demand
United States of America:						
Crude	328	.....	450	.....	450	.....
Natural gasoline	31	.....	50	.....	50	.....
Total	359	406	500	600	500	700
Canada	17	30	50	60	65	85
Mexico	13	11	25	23	30	35
Total	389	447	575	683	595	820
Caribbean	119	17	165	27	225	45
Other America	8	39	30	80	50	145
Total Western Hemisphere	516	503	790	790	870	1,010
Western Europe	9	117	20	300	30	350
Middle East (except Egypt)	157	12	310	30	660	50
Other East	20	75	45	145	100	250
Russia, etc., exports	5	.....	(?)	.....	(?)	.....
Total	191	204	375	375	790	650
World (excluding Russia, etc.)	707	707	1,165	1,165	1,660	1,660

Mr. Jamison, as a prelude to his table III, said:

"In order to analyze the possible future pattern of world movements, it has been necessary to make assumptions about world supply and demand. It is outside the scope of this paper to make a detailed study of possible demand and the assumptions have therefore been based on the trends indicated in recent published forecasts, which have been made in the light of the probable world energy positions.

"Supply has been based on the availability indicated by Ion, accepting in general his production potential, for areas outside the Middle East, and then assuming that the Middle East will provide the balance of supply necessary to meet world demand."

It will be seen that the thinking of these experts presupposes the flow of a large part of America's oil will come from the Midle East. The question of whether this oil will be available when we need it is not a factor in Mr. Jamison's computation. Before we gamble with the security of the Nation by placing our reliance on Middle Eastern reserves, I would like to briefly recount changes which have occurred since the British Institute of Petroleum was held at Torquay June 6-9, 1950, the place and time Mr. Jamison's paper was presented.

I first became concerned of Russian aspirations in the Middle East at the time this country and its allies had to put great pressure upon the Soviets to bring about the withdrawal of occupying troops from Iranian Azerbijan shortly after the end of World War II. During the Korean war and shortly after the nationalization of the petroleum industry in Iran, I had occasion to address the Harvard Club in Tulsa, Okla., and discuss at that time some of my fears concerning the Middle East.

I had this to say:

"Russia's lack of available oil, while probably the greatest single deterrent to aggression, is at the same time one of the major dangers to world peace."

"The Iranian program for the nationalization of petroleum is complete, but the issues growing out of it are unsettled. I am more concerned with this as a threat to world peace than I am with the war in Korea. Regardless of whose view one may take concerning the proper conduct of the war in Korea * * * it still has a chance to be decided in that theater. Soviet Russia can get the oil she needs in Iran, and events within Russia or unrest in her satellites may accelerate the timetable for Soviet action and no one can predict when or where she may strike."

"* * * In other words, any Russian activity in this area (the Middle East) is to me significant of Russian willingness to precipitate the world struggle."

Let us briefly consider the situation existing in the Middle East in the latter days of the Korean war with conditions prevailing there today. Then, when Mossadegh brought about the nationalization of the industry in Iran, he seized the oil fields and the great refinery of Anglo Persian at Abadan. This action took off the market the production of Iran and its huge refinery; however, other Middle Eastern fields, the production of Venezuela, and of this country, easily replaced Iranian oil.

So successful was this effort that within a short time Mohamet Mossadegh was ousted from the Iranian premiership and room had to be made in the market places of the world for Iranian crude oil and products. At that time, Egypt and Syria were on the friendliest terms with the Western powers and the best trained and equipped army in the Middle East, with the possible exception of that of Israel, was the Jordan army—trained, armed, and officered by Britain. Syria was a French protectorate and there were few disturbing factors in the entire area, outside Iran. There was not a Russian man-of-war in the Mediterranean that anyone had knowledge of, and no one feared an interruption of crude production or transportation in that portion of the world.

Let us consider the situation as it now exists. It has been conclusively demonstrated that the access of Middle Eastern oil to Mediterranean ports can be stopped at any time. Today, the Suez Canal is an Egyptian river, for practical purposes, and every pipeline delivering Middle Eastern oil to Mediterranean ports traverses Syria—a Russian satellite. Jordan has severed her military connections with Britain. Syria and Egypt have been armed by Russia. Russian men-of-war lie at anchor in Egyptian and Syrian ports and submarines have been delivered by Russia to both Syria and Egypt. The British protectorate of Aden is in a state of unrest and its traditional foe, Yemen, is involved in military action with Aden. British troops are involved in this action. The Yemeni are currently receiving arms from Russia in significant quantities. For what purpose, may I ask you, is a port of no inconsiderable capacity being constructed by Russian capital under the supervision of Russian technologists at Yemen, except for the purpose of neutralizing the strategic value of the port of Aden?

And what of Russia itself? Who can question the fact that her submarine pens in Albania on the eastern coast of the Adriatic are stocked and ready.

For the first time since 1917, Russian men-of-war made their way through the Suez Canal early in the fall of last year.

Russia's navy has 8,000 planes—many of them jets. All of them are land based. Other military aircraft outnumbered the naval planes, and every point in the Middle East is well within their range. She has many times the number of submarines that Germany had at the beginning of World War II, and it is believed that her goal may be 1,200 subs. The Russian navy has expanded faster in personnel and materiel than any other branch of the Soviet's armed forces. During June and July 1957, three Soviet submarines cruised through the English Channel and Straits of Gibraltar into the Mediterranean. A Soviet cruiser and two destroyer escorts steamed out of the Black Sea, through the Straits of Gibraltar and thence into the Baltic Sea late in the summer of last year.

The Russian cruiser fleet consists of 27 vessels. Russian cruisers of Sverdlov class are large, rangy, and fast. They have a wide cruising range and heavy antiaircraft equipment. They are of 12,600 tons displacement.

Their destroyer fleet of about 200 ships is formidable. About half of this fleet is strictly modern, having been built since World War II. These are big, heavy vessels for their class. The *Skorys* are of 2,200-ton displacement and the *Kotlins* are of the 3,300-ton class. The submarine fleet at present consists of some 500 vessels, all modern except about 40. The present 5-year plan includes nuclear-powered submarines and an icebreaker for use in northern waters.

The Soviet fleet is numerically second in the world.

Let's look for a moment to the Mediterranean. Gamal Abdul Nasser has within the month offered succor to the Cypriots. Our allies, Greece and Turkey, have conflicting claims in Cyprus, and if I read the signs right, Great Britain is looking for a lap into which to toss this problem. The delivery of oil into Mediterranean ports depends exclusively upon the whim of Nasser, because every pipeline entering the Mediterranean traverses Syrian territory with the exception of the small Israeli pipeline across Israel from the Gulf of Aqaba to the Mediterranean coast. The Suez Canal can be closed to shipping of the Western World; exorbitant tolls can be established by Egypt or, in the event of armed conflict, it can be rendered unpassable on an hour's notice.

I do not believe there is a military authority who would contend for a moment that Middle Eastern oil would be available for the defense of this country 30 days after the first blow is struck.

In addition to these things I have portrayed, which presuppose some drastic action by the Soviet Union or its satellites, let's look for a moment to powerful competitive conditions in world trade.

It is my considered opinion that the Soviet Union will be an active competitor for the Western European oil market within 2 years from this date. She has recently demonstrated her willingness to utilize her oil reserves by exchanging 200,000 tons of oil for an equal value in Uruguayan wool. Russian production at this time is, in my opinion, in excess of 2,600,000 American barrels per day, as compared with no more than 900,000 barrels in 1950. A year from today, it is my thinking that this total could easily reach 2¾ million barrels daily.

Five hundred thousand barrels daily of Russian oil diverted into industrial use in the small, traditionally neutral nations of Europe, can do more to disturb the economic balance of industry in Western Europe in less time than any other device which might be adopted. It will not be necessary that Russia resort to its own petroleum resources; Soviet infiltration into the Middle East is already laying a simple base for accomplishing this objective.

In Syria there are two existing concessions under development by private enterprise, (1) by a Mr. Min-Hall, of Illinois, in cooperation with Atlantic Refining Co. and another American company, the name of which I have forgotten, upon which oil has been discovered, and (2) a concession owned by German industrialists, which is under exploration. There will be no more concessions to private enterprise in Syria. Soviet technologists are today conducting an intensive geological and geophysical survey in that country and in the future its petroleum resources will be developed and marketed through the utilization of Russian technologists and Russian capital, as a national enterprise.

The only reason Russia's ambition for empire is not regarded as a process of colonization, such as has been utilized traditionally by France and Britain, and as is being practiced by our own country in industrial expansion, is that no Russian colonies or large groups of Russian nationals exist to attract attention. Along with their commitments to furnish technologists and loans, they include a sufficient number of trained propagandists who function unobtrusively to create a climate within the country in which they seek to operate, by which they sooner or later take over political and economic control.

Within the year, concessions have been granted to Japanese and Italian capital near the head of the Persian Gulf which will disrupt the basis of the operation of most American companies producing oil in the Middle East and throughout the world. This situation has been accented by the recent deal made by one of the large American companies with the National Iranian Oil Co. These three transactions will cause Middle Eastern governments, where American companies have concessions on a 50–50 basis, to give serious consideration to Nasser's recent suggestion that development of Middle Eastern reserves should be based upon 90 percent of the profit inuring to the benefit of the nation involved and 10 percent to the exploiting company. He has indicated Soviet interest in such a proposal. This can accelerate the time when Middle Eastern oil may be priced out of reach in this country.

In closing, I would like to point out that there is no necessity for the United States in the foreseeable future to look outside North America for its petroleum requirements. Studies have been made through the years by competent authorities concerning the ultimate reserves of crude oil in the United States. Set out below, in billion of barrels, are the estimates of a number of experts:

[In billion barrels]

Source:	Estimate
Eglioff	1000–2000
Interior Department	300
Hill, et al	250
Schultz	200
Murrell	200
Pogue & Hill	165
Hubbert	150
Pratt	142
Ayres	140

Mr. Lewis G. Weeks, chief geologist of Jersey Standard, recently estimated that including past production, total ultimate potential resources of crude oil and natural gas liquids recoverable by conventional primary producing methods under today's economic conditions were estimated in the order of 1,500 billion barrels, of which about 240 billion barrels are in the United States. This grand total comprises past production up to the end of last year of 100 billion barrels with proved reserves at the end of 1956 of at least 325 billion barrels and some 1,100 billion barrels of reserves expected to be proved from January 1, 1957, onwards. With regard to natural gas, Mr. Weeks total ultimate recoverable resources are put at a minimum of 5,000 to 6,000 trillion cubic feet (the calorific equivalent of about 1,000 billion barrels of oil), including 1,000 trillion cubic feet in the United States, or a crude equivalent of about 200 billion additional barrels of oil.

In addition to these reserves producible by primary methods, additional oil resources which man may ultimately find ways of recovering by secondary methods, may be just as large as the 1,500 billion barrels of primary resources. Mr. Weeks quoted recent estimates by the well-known geologist, Mr. Wallace Pratt, that the United States has 535 billion barrels of oil in shales whose content ranges from 11 to 50 United States gallons per short ton of shale, and also a further 1 trillion barrels in shales with a content averaging 10 gallons per ton.

My own study convinces me that within the United States there are ultimate reserves of oil recoverable from primary resources within the range of current economic limits, and only reasonable advances in technology, of a minimum of 250 billion barrels without giving consideration to oil which may be recovered from oil shales or synthetized liquid hydrocarbons which may be produced from coal, or by the application of secondary recovery methods.

On the basis of Mr. Walter Jamison's computation of the demand figure applicable to 1975 of 700 million tons, or translated into barrels, 5¼ billion barrels per annum, which is more than 14,300,000 barrels per day, ultimate primary reserves in the United States of 250 billion barrels of oil represent a 47-year supply. If any consideration, whatever, is given to Mr. C. M. Nichol's estimate that by 1975 atomic energy will replace more than 200 million tons of coal equivalent, the period with which we could supply our own requirements for oil will be much extended. Supplemented by reasonable imports, limited so that the domestic industry will not be injured, the period will be further extended.

If our country is to remain free and continue its position of world leadership, incentive must be given for the development of our petroleum resources. If,

through shortsighted world policy, we base our security on petroleum reserves without the North American Continent, disaster will be the end result, whether it be economic or military.

Let me point out that the refining capacity of the Nation is largely concentrated in an area bounded by New York City on the north and Philadelphia on the south along the Atlantic seaboard, between Lake Charles, La., and Corpus Christi, Tex., along the gulf coast, in the Los Angeles district on the Pacific coast, and in the Great Lakes industrial complex in the midlands of America. These refineries will certainly be prime targets in the event of nuclear attack. With their destruction, in the absence of finished petroleum products in vast quantities in underground storage, the economy and transportation systems of the Nation will be paralyzed.

Every oil-purchasing company of magnitude impresses upon us, that while we should have an excessive productive capacity to meet any condition, it is wasteful to store large amounts of crude or products above ground. This may be true, but I want to read to you the volume of crude and products in above-ground storage for the month of May during the years 1951 to 1958, inclusive, and call your attention to the day's supply of crude and products actually available to the Nation to meet a crisis. This table appeared in the June 1958 issue of Petroleum Outlook. This table also shows the total daily demand for crude and products.

	United States inventories [1]			Total daily demand	United States inventories [1]		
	Crude	Products	Total		Crude	Products	Total
	Million barrels				Days supply		
May 1958 [2]	270	459	729	8.4	32	55	87
May 1957	276	493	769	8.6	32	57	89
May 1956	277	441	718	8.6	32	51	83
May 1955	277	442	719	7.9	35	56	91
May 1954	282	448	730	7.2	39	62	101
May 1953	280	405	685	7.3	38	55	94
May 1952	291	327	618	6.8	43	48	91
May 1951	248	354	602	7.0	35	51	86

[1] End of month.
[2] Preliminary estimates by P. O. based on API data.

I would like to point out to you that the above-ground storage of crude and products is not a reliable basis of availability, for some 60 percent of the crude oil in storage represents pipeline fill and tank bottoms which cannot be made available except by purging lines and draining tanks below the drawoff level. To a lesser extent this is also true of products.

I would like to further point out that in June 1930, before the discovery of the east Texas pool, we had in above-ground storage in this country 431 million barrels of crude oil. Then the national market demand for crude oil was in the order of 2,000,000 barrels per day as compared with 8.4 million barrels per day for the month of May 1958, when above-ground crude in storage was only 270 million barrels. England and Western Europe learned the lesson of their folly in reference to stored oil during the Suez crisis.

Then no refineries were destroyed and the supplying of oil to meet the shortage was only a question of transport. I would like to point out further that spot tanker prices for transportation increased from 100 to 900 percent during the period from August 1956, to January 1957, depending on the source of the cargo and its point of destination.

If we must utilize excessive amounts of oil from the Middle East and from other countries of the world to appease and placate their governments, then what better use could be made of excessive importations than to store their refined products in the depleted oil and gas fields of the Nation and other underground reservoirs where they would be instantly available in the event of nuclear attack.

This is an entirely feasible program from an engineering standpoint. Natural gas, liquefied propane and butane are presently being stored in underground reservoirs, and the content of these reservoirs can be recovered without substantial waste. I cannot overemphasize the fact that we should have in underground storage, available for immediate use, at least a year's supply of petroleum

products. This is the only possible insurance against disaster in the event of the destruction of our refining systems.

Canadian oil, while tremendous in potential, does not represent the menace to the domestic industry that Middle Eastern, Maylayan, and Latin American reserves constitute. Bear in mind that no regulation limiting the production of oil exists on earth except in this country, in the Prairie Provinces of Canada and to a very limited extent in Venezuela. Actually, the average daily production of Venezuelan wells is in excess of 200 barrels per day each as compared with the national average in this country of not more than 12 barrels daily. Both of these are infinitesimal figures when compared with production in Kuwait where less than 175 wells produce more than 1,200,000 barrels per day. A handful of wells in Kuwait daily produce approximately two and one-half times the amount of oil that 75,000 wells produced in Oklahoma during the month of April 1958. The maximum daily production of a vast majority of Oklahoma wells was 15 barrels per day by reason of a top allowable in that amount, fixed by the Corporation Commission of Oklahoma, and the inability of many stripped wells to produce the permitted daily allowable oil. The stripper wells of the United States fluctuate less in their daily production than any other source of petroleum in this country and constitute our most reliable supply of oil. One does not have to be a wizard to know that it is impossible for this source of petroleum to compete in cost of production with a field such as Kuwait where the daily per well average is in excess of 8,000 barrels.

The average American pumper can handle the production of perhaps six wells per day. His counterpart in Kuwait can easily be responsible for the same number of wells. While the pumper in America is producing a maximum of 75 barrels, his counterpart in Kuwait will produce a minimum of 30,000 barrels.

The failure to impose mandatory controls will, in my opinion, bring about the bankruptcy of those American operators whose efforts have created and maintained an excessive productive capacity through three great wars. It will mean that oil, which our own petroleum resources were used to defend in World War II, will be the source of the destruction of the independent oil producer of the United States.

(By direction of the chairman, the following is made a part of the record:)

STATEMENT OF HON. RALPH W. YARBOROUGH, UNITED STATES SENATOR FROM THE STATE OF TEXAS

Mr. Chairman and members of this distinguished committee, I wish to present this statement for the purpose of calling to the attention of this able committee some facts which bear upon the Trade Agreements Act that is being considered here today in order to alleviate the impact which the excessive oil imports are having upon the economy of Texas and the Southwest.

The President's voluntary oil imports program as currently operated under the Trade Agreements Act, is a failure. It has not worked in the past, and it is not working now. Fewer wells are being drilled and less oil is being produced in the State of Texas, and Texas has the strictest quota restrictions in the Nation. Our local units of government, city, county, school districts—and our State and Federal Government—are losing tremendous tax revenues because of the inability to produce due to the flood of foreign oil that is being imported into this country.

More and more drilling rigs are being stacked in the yards, and what began as creeping recession has developed into galloping depression in the oil areas of Texas and the Southwest. In only a few months in Texas, some 300 rigs have quit running. Each rig employs an average of 25 skilled workers. These workers are off the payrolls, and they are walking the streets looking for work.

The issue of cheap oil imports is not, as some would have you believe, merely a fight between wealthy interests. The moderate- and low-income bracket people of America are deeply concerned here. The small merchants, the schools and local units of government, the service-machine operators, the oil truckers, oilfield equipment men, the geologists, and other directly and indirectly related segments of our economy are feeling the terrible impact of the continuing excessive imports.

OUR DUTY TO PROTECT THE PETROLEUM INDUSTRY AGAINST EXCESSIVE OIL IMPORTS

Perils to the domestic oil industry from the voluntary oil import program

The Trade Agreements Act of 1955 resulted in voluntary restrictions on oil imports, but these voluntary restrictions have failed to protect the oil industry and the security of the United States. There is nothing binding in the voluntary oil import restrictions idea. It may be rescinded or withdrawn at any time. Under such uncertainties it is very difficult to plan for, or conduct a business or adequately conserve our valuable oil resources.

The domestic petroleum industry is not growing as fast as it could or should. Big imports have forced domestic producers to keep production down so that prices would not drop to disastrous levels.

Imports allowed under the voluntary restrictions plan have not only been uncertain but they have also been excessive. In the last 5 years total domestic crude oil production increased only 5.6 percent, while imports of crude and fuel oil and products rose considerably more. Imports averaged a little over 1 million barrels a day in 1953 and 1954 but in 1957 they averaged about 1.5 million barrels per day. Imports were 16.6 percent of domestic crude oil production in 1954, 18.3 percent in 1955, 20.1 percent in 1956, and 21.5 percent in 1957. In the first 5 months of 1958 imports were about 25 percent of domestic oil production.

In the first half of 1956, which was before the Suez crisis briefly increased our production, the United States produced about 7.2 million barrels per day but our daily production in March 1958 was only about 6.3 million barrels, or a production drop of 876,000 barrels per day.

The effects of increased imports on Texas

In the past 5 years Texas oil production has dropped 2.5 percent while oil imports from Venezuela increased 46 percent and imports from the Middle East have increased more than 52 percent.

For several recent months Texas producers have been allowed to pump out crude oil on only 8 days a month. Texas has reduced its production more than any other State. In fact, using the January–June 1956 period as a base, crude oil production in Texas in March 1958 declined over 24 percent. This was 84.8 percent of the total domestic decline in production over this period. Texas usually accounts for 40 percent or more of total domestic production. This explains why substantial drops in Texas output have such bad effects on the economy of Texas and the United States.

Total unemployment in Texas has risen to nearly 6 percent of the entire labor force, the highest rate since the depression days of the 1930's. Much of this unemployment is traceable to increased oil imports and the resulting drop in domestic oil production. At the end of February 1958 there were 6,000 unemployed because of the withdrawal of nearly 300 rotary drilling rigs from operations in Texas. It was recently estimated that oil producers income in Texas had dropped from about $5.1 million a day at the end of February to $3.5 million a day in early May 1958—a drop of $1.6 million a day.

The inequity of stifled, uncertain, domestic production compared to increased imports

It is unfair for United States oil producers to have to restrict their production of and exploration for oil. Various States of the United States have joined an interstate oil conservation compact to restrict the amount of American oil that goes on the market and to prevent wasteful, excessive production. In essence, foreign oil imports should be subject to policies, prescribed by law, instead of voluntary, uncertain restrictions, as at present.

Increased imports are slowing down new explorations for oil

Continuous exploration for oil insures the future of the industry and is essential to the present and future comfort and security of the United States. The independent oilmen are most active in exploration: for example, they drilled about 80 percent of the 13,000 wildcat wells drilled in the United States in 1957.

Increased oil imports have greatly discouraged oil-well drilling in the United States in recent years. Drilling activity slumped sharply in 1957 and the unhealthy conditions of the industry are expected to discourage drilling further in 1958.

Domestic prospecting in 1957 decreased 7.5 percent below 1956 and new discoveries were 16.4 percent below 1956.

This evidence of reduced activity in the search for new oil sources demonstrates again the threat of big imports to a solvent domestic petroleum industry, an industry vital to the United States.

CONCLUSION

In summary, employment losses, drilling losses, and oil production losses are mounting at an alarming rate. Depression in these activities is certainly evidence that imports are supplanting, not merely supplementing, domestic production.

Consequently, relief by the administration and by the Congress is overdue. What is needed is demonstrated action to relieve the oil crisis. What is needed is a definite basis for demonstrated action. Such a definite policy should above all be based upon a sound policy of national security. These policies should be clear and certain. These general policies should be prescribed by law in order that Government officials can operate efficiently and in order that producers and consumers can operate with assurance of ample petroleum supplies for national defense and for consumer consumption.

DALLAS, TEX., *July 8, 1958.*

RUSSELL B. BROWN,
1110 Ring Building

Our association at New Orleans La., on February 11, 1958 passed the following resolution:

"Whereas the American Association of Oil Well Drilling Contractors has heretofore taken formal action to commit itself to this proposition that imports of crude oil and petroleum products should be limited to the 1954 relationship of such imports to domestic production and at this time desires to reaffirm this position and belief

"Now therefore this board of directors of the American Association of Oil-well Drilling Contractors at its meeting held at New Orleans, La., February 10, 1958 hereby reaffirms its position that imports be used to supplement rather than supplant domestic production and urges that appropriate steps be taken to correct imports to the 1954 ratio."

Our position was reaffirmed at a directors meeting held in Denver Colo., June 16, 1958. The drilling industry is steadily deteriorating and the position of same is in a critical state. You may make our position known at the July 8d hearing referred to in your telegram. We do not care to delegate a general representation, however you are at liberty to use this telegram or the contents thereof as you may deem best.

J. U. TEAGUE,
President American Association of Oil Well Drilling Contractors.

LINDSEY COAL MINING CO.
Punxsutawney, Pa., June 23, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee, Washington, D. C.

DEAR SENATOR BYRD: The following coal-mining firms have requested me, in my official capacity as a director and officer, to write to you: Lindsey Coal Mining Co., Mahoning Corp., Coal Mining Co. of Graceton, Inc., White Crest Coal Co., Light Coal Mining Co., and Wabash Ridge Corp. These companies are Maryland and Pennsylvania firms, producing coal in Pennsylvania, Maryland, and West Virginia.

Senator Byrd, as you doubtlessly realize, the position of the entire coal-producing industry is being dealt a vicious below-the-belt blow by the continued importation and dumping of huge quantities of residual oil with appalling consequences to the coal industry.

This foreign competition has resulted in a chain-like cutting of prices for coal, creating havoc, and unemployment in the coal-producing areas, and a heavy blow to our economy. The whole coal industry is threatened, and the national security is, therefore, seriously and dangerously imperiled. Many, many mines are closing and going out of business due to this decidedly unfair foreign competition, depriving many thousands of our citizens of a livelihood and benefiting employment and prosperity abroad.

This condition has also had disastrous effects on the railroad business as I could cite you numerous places where thousands of our railroad employees

who repair haulage equipment and man the railroads, have been thrown out of work through this resultant slowdown of coal orders due to this foreign residual oil replacement. This also goes for thousands of other Americans who work in the steel and other industries which supply material for the railroads and mines; in fact, it results in a whole chain of unemployment and disaster to those who work in other contributing fields.

Venezuelan residual fuel oil, and importations from other foreign countries which countries haven't been particularly pleasant to us (and we can refer you to the recent Nixon disturbances) have prospered notably where our people and our industry have greatly suffered.

Please Senator, remember as I know you do, the old slogan "America First." Let us please not send this great country of ours down the skids in our bringing prosperity to unappreciative others.

Although I am personally a stockholder in at least two of the largest importers of this residual oil, i. e., Standard Oil Company of New Jersey, and the Texas Co., I respectfully ask that you help with the proper corrective measures. For other reasons, those of being an American citizen and a veteran of World War I, I wish to also personally ask you, Senator Byrd, to help our presently disturbed economy in eliminating or controlling this endangering of our national security.

I am writing a similar letter to the other 14 members of the Senate Finance Committee.

It is utterly vital to our industry, our employees and the welfare of the United States that the Ikard amendment be adopted by your committee.

Looking forward with keen and eager anticipation to your constructive cooperation, Senator Byrd, on this residual oil menace, and thanking you in advance both personally and on behalf of the firms above represented, I am,

Very sincerely yours,

SAM LIGHT, *Treasurer.*

INDEPENDENT OIL MEN'S ASSOCIATION OF NEW ENGLAND, INC., BOSTON, MASS., IMPORTS POLICY

The Independent Oil Men's Association of New England respectively requests that neither additional tightening of voluntary quotas, nor initiation of mandatory controls, nor institution of new tariffs be made with regard to importation of crude oils and allied petroleum products under any amended extension of the present reciprocal trade agreement.

IOMA is an organization comprised mainly of independent retailers and terminal operators marketing fuel oils and gasoline throughout New England. Representatives of this organization have testified from time to time in congressional committee on this issue and more recently on March 6 before the House Ways and Means Committee.

We feel that if any further tightening of imports are forthcoming they will tend to:

(1) Ultimately increase New England's fuel costs to manufacturers and individuals (who are currently recession bound);

(2) Endanger national security through literally handing to Russia and others free-world-financed foreign oil, without which our Nation cannot operate at capacity; and

(3) Endanger our foreign relations with Venezuela and Mid East countries, both of which buy billions of dollars worth of goods and services annually which flow into our economy.

We urge you to vote against any changes in the Reciprocal Trade Agreements Act which alter controls which now appear to be adequate to protect national security. We urge you to do this in the interest of the future of our Nation's economy, for a future uninterrupted supply of petroleum products at reasonable prices for New England's homeowners and manufacturers, and for all who market petroleum products in New England, many of whom we represent.

KENTUCKY OIL AND GAS ASSOCIATION, LOUISVILLE, KY.

RESOLUTION

Whereas the following statement of facts and policy reflects the thinking and attitude of the oil and gas producers in the Commonwealth of Kentucky: Now, therefore, be it

Resolved, That the following statement be hereby adopted as the policy of Kentucky Oil & Gas Association, viz:

I. FOREIGN IMPORTS, CRUDE OIL AND PRODUCTS

(1) The executive branch of our Government, under the direction of President Eisenhower in July 1954 instigated an exhaustive review by a specially appointed Cabinet Committee on Energies, Supplies, and Resources, which came to the following decision: "If we are to have enough oil to meet our national security needs, there must be a limitation on imports that will insure a proper balance between imports and domestic production." They found that the proper balance between imports and domestic production should be the balance existing in 1954, and this theory of what the variation should be between imports and domestic production has been retained to the present moment by the Cabinet committee. In the enforcement of this formula, the executive branch of our Government has elected to request a voluntary program of reduction of the importation of crude oil and its products. This method has been only partially successful. It has fallen far short of maintaining the 1954 balance.

(2) The current condition in the United States domestic industry is such that:

(*a*) United States production of crude oil is at its lowest point in nearly 4 years.

(*b*) Total well completions for the first 3 months of 1958 were 12 percent below last year.

(*c*) Active rotary drilling is 27 percent below last year.

(*d*) Crude oil prices have been reduced despite substantial increases in production costs.

(*e*) Exploratory activity has declined 25 percent.

(*f*) Total imports, including crude and its products, during the first 3 months of 1958 mounted to the unprecedented average of 1,600,000 barrels daily or 24 percent of domestic production.

(*g*) Overall demand in the United States has been decreasing rather than increasing.

(3) In light of the foregoing facts, the Kentucky Oil & Gas Association believes that conditions in the Domestic Oil Industry have deteriorated progressively. It further believes that the threat to our security as to oil has become increasingly serious, rendering the need for further and immediate action an urgent one.

Therefore, this association on this 6th day of June 1958, in convention at Louisville, Ky., states:

(*a*) That it does concur in the decision of the executive branch of our Government that excessive importation of crude oil and its products do seriously endanger our national security.

(*b*) That the proper relationship between imports and domestic production should be as of July 1954.

(*c*) That instead of a voluntary compliance program for importers, this association strongly recommends that imports of crude oil as well as refined products be limited by law to the 1954 relationship through an amendment to the pending Trade Agreements Act.

II. GAS LEGISLATION

This association reiterates its previously established position that early legislation in Congress to restore complete freedom of natural gas production from Federal control is imperative.

There is no precedent in America for regulation of the local production of a competitively produced commodity such as gas. Regulation of one fuel on a cost-based concept, and nonregulation of competing fuels, is both unfair and confiscatory.

The risk in exploration and development of natural gas is the same as that in finding oil. The success ration, like cost, varies between States, between areas, and between producers. The production of gas has none of the characteristics of utility enterprises wherein costs can be computed prior to investments, returns can be analyzed and computed on a cost basis, exclusive franchise is granted, and competition prohibited.

If such supplies are to be made available on a scale in keeping with our expanding needs, the Congress must assert its intent that the local, competitive finders and producers of natural gas not be regulated as "Federal Public Utilities." By doing so Congress would prevent arbitrary control of gas prices on some fabricated basis; and by this action would make available an amount of gas on a scale in keeping with our expanding needs.

Therefore, this association hereby urges the Congress of the United States to correct the present situation by corrective legislation to be enacted during the present session of Congress.

III. OIL AND GAS TAX POLICY

This association calls attention to the extreme importance of oil and gas for national welfare and security as evidenced by:

(1) High ration of usable energy to weight and bulk, ease of transportation, cleanness, and convenience.

(2) That petroleum is the prime fuel of national security. In modern war, it is utterly essential to victory and survival.

(3) For reasons of security, the United States must encourage development of more capacity than would normally be required in peacetime.

(4) We cannot wait until an emergency arises in order to adopt expensive crash programs for increasing production because of the years of exploration and development work which must precede additions to production.

That the production of oil is of a unique nature, distinguishing it from manufacturing, retailing, and other nonmining industries is shown by its hazardous nature. The great uncertainty of this exploratory effort is attested by the record of relative failures and successes. Of the wells drilled in the search for new fields, only 1 in 9 finds some production initially, and only 1 in about 50 finds deposits of 1 million barrels of crude oil reserves. There is little similarity between the investment process required to establish petroleum production and that characteristics of other businesses. The manufacturer in making a given capital expenditure almost always realizes a plant of a predictable size and capacity. With sound knowledge and planning, he can create plants whose economic value bears a reasonably close relationship to expenditures. Not so in the petroleum industry. In making a given outlay in exploration, the investor has little or no way of predicting what value he may realize. He stands a good chance of losing his investment altogether.

In order for our country to have in its possession adequate domestic reserves of petroleum giving it a priceless weapon of national defense, it is therefore necessary for the petroleum industry to secure a differential tax treatment which will encourage:

(1) Development of spare productive capacity.

(2) Provision of greater incentive to search for new reserves at a given price level.

(3) Stimulation of domestic exploration and production, the key to defense, which serves to limit dependence upon imports from distant sources.

It is well known that the present differential tax of the depletion allowance is also given properly to coal, copper, iron, sand, gravel, sulfur, zinc, lead, and timber, the rate having variance according to the availability of each mineral.

Therefore, the Kentucky Oil & Gas Association strongly endorses the retention of the depletion allowance, which has been in existence the past 32 years.

I certify that the foregoing is a true copy of a resolution duly adopted by the Kentucky Oil & Gas Association at its annual membership meeting held at Louisville, Ky., on June 6, 1958.

ANGUS W. MCDONALD, *Secretary.*

STANDARD OIL COMPANY OF INDIANA, 910 SOUTH MICHIGAN AVENUE, CHICAGO, ILL.

CRUDE OIL AND PETROLEUM PRODUCTS IMPORT CONTROL

GENERAL COMMENTS

Although the imposition of mandatory controls will stem the growth in oil imports, it is basically undesirable and could prove to be a long step toward Federal control of the industry.

If legislative action becomes necessary, to be effective it must (1) provide fair and workable yardsticks for allocation among the importing companies and (2) control imports of petroleum products as well as crude oil.

Deficiencies in the present voluntary program emphasize the need for including in a control plan workable standards for allocation of imports among importing companies. Allocations now are based on arbitrary and, apparently, expedient adjustments to historical patterns. Furthermore, the present plan provides no systematic method for dealing with newcomers. Since imported crude and products have a very substantial cost advantage over domestic crude and products, it is essential that the method of allocating imports be both systematic and equitable to all importers, whether large or small, new or old. It is vital to the industry and to the public that competitive inequities be minimized under any crude or product import-control plan. The present system of allocation preserves, through Government policy, competitive inequalities whose effects, over time, are cumulative in nature.

Products imports have not been a major problem in the past because imports have consisted principally of residual fuel oils, which have supplemented the available domestic supply of such fuel oils. But the adoption of crude controls has created a strong incentive for foreign producers to increase their foreign production by refining crude abroad and importing the refined products into the United States. If this trend is not controlled, the imposition of crude-oil quotas will be ineffective.

OUTLINE OF CONTROL PLAN

The plan outlined hereafter includes the essential principles of providing equal competitive opportunity for all refiners and marketers who are affected by imported crude and products, and of restricting product imports which, if excessive, would be as great a threat to national security as excessive crude imports.

The overall objective is to maintain the same relationship between crude and product imports and domestic product demand as existed in 1954, when total imports were 13.6 percent of domestic demand.

Administration

This plan calls for the President to appoint an administrator whenever total imports (crude plus products) threaten to reach or actually do exceed 13.6 percent of domestic demand. Of course, this would mean immediately, since the 1957 relationship was 17.6 percent. The administrator is given only necessary discretionary authority. He is required to hold hearings and announce individual allocations by October 1 of each year for the succeeding year.

Establishing of import quota

The basis for determining the total volume of crude and products to be imported would be a Bureau of Mines' estimate of domestic demand for refined products in the approaching year. The total allowable import volume for the United States would be equal to 13.6 percent of the estimated demand. No attempt would be made to designate areas of origin. Producers in various foreign countries would be able to compete for the available United States market for crude and products imports in the same manner as they now do.

For illustrative purposes, this plan has been prepared, using 1954 ratios. The table below illustrates the degree to which the volume of total imports would be varied by using any other year than 1954 as the base.

Base year	Crude and product imports as percent of domestic demand	Estimated 1959 crude and product imports using various bases [1]
		Barrels per day
1954	13.6	1,278,000
1955	14.8	1,390,000
1956	16.4	1,540,000
1957	17.6	1,655,000

[1] Assumes 1959 demand to increase 7.1 percent over 1957.

This plan establishes one import quota for the entire United States rather than providing separate quotas for the two areas, districts I-IV and V, as is done under the voluntary crude-oil import program. These two areas are now connected by both crude and products pipelines and, therefore, price structures in one area will henceforth have a more pronounced effect on the other area than was formerly the case. District V has been given special consideration in the past because it was a deficit area. However, with the completion of the new Four Corners pipeline to the west coast, this no longer represents a problem.

Allocating the quota to individual companies

The United States quota would be divided between refiners and nonrefiner marketers in such a way as to maintain the same proportionate relationship that existed between refiners and nonrefiner marketers in 1954.

With respect to allocations for refiners who import crude and/or products, the only sound and equitable plan is one which gives all refiners allocations proportionate to their usage of crude. Therefore, the individual allotments to refiners would be based on their percentage of total refinery runs for the preceding year ending June 30.

Allotments to nonrefiner marketers of the total quota available for that group would be proportionate to their sales of crude petroleum or products in the preceding year ending June 30. Data relative to base-year sales and imports of nonrefiners could be obtained from the import applications of such companies. To prevent unfair practices, such as the use of dummy marketing organizations to obtain duplicate import allocations, product sales used for allocation purposes would include only those products which had moved through the company's owned or leased storage, terminal, or sales facility.

Alleviation of hardship

It is recognized that, no matter what type of plan is adopted to control imports, there will be certain cases of extreme hardship which demand relief. The plan would provide, therefore, that the Administrator may adjust allotments, taking into consideration past records of imports and other pertinent factors. He would be directed, however, to observe the principle that hardship adjustments should not be allowed to preserve, over an extended period, competitive inequities such as would result from disproportionate access to foreign crude oil or products.

In order to grant hardship adjustments, the Administrator would be required to also adjust the normal allotments of other refiners and nonrefiners. This he would do on a proportionate basis so that the national quota of crude and product imports would not exceed the legal limit. In no event could the aggregate of hardship adjustments exceed 20 percent of the allowable yearly imports.

Transferability of allocations

In order to provide the utmost freedom and to permit recipients of allocations to make fullest use of their imports, this plan provides that all allocations to refiners and nonrefiners can be transferred to another party without restriction.

Suspension of the quota

Whenever the Administrator finds that total supplies of crude and products are inadequate to meet current domestic demand, it is provided that he may revoke or suspend the established quota for the necessary period.

DISCUSSION OF OTHER CONTROL PROPOSALS

Several other methods of import control through legislation have already been suggested. These include (1) tariffs, (2) auction of import rights, and (3) basing allocations on the volume of foreign production or the amount of investment in foreign production. These methods are discussed hereafter.

1. Tariffs

Because of conditions peculiar to the petroleum industry, tariffs are far less satisfactory than is ordinarily the case. The costs of foreign crude laid in at United States ports vary widely, according to the country of origin and the time of importation. A moderate tariff increase would just serve to cut off Canadian crude imports, but would not halt the importation of South American and Middle East crudes. Therefore, tariffs would have to be graduated from

one country to another, which would conflict with the most-favored-nations clauses of various trade agreements. Furthermore, tariff rates would have to be adjusted from time to time to offset widely fluctuating changes in tanker rates and other costs.

Because tariffs might shut off all imports if they are prohibitively high, and would have very little effect on imports if they are too low, proposals have been advanced to use tariff quotas. These would limit imports above a preselected figure by imposing a much higher tariff on the excess. Such proposals have most of the disadvantages referred to above and, in addition, present the problem of allocating among importers the prearranged total subject to the lower tariff.

2. Auction of import rights

Legislation already introduced would grant import allocations within a total quota to the highest bidders. Under such a method of allocation, foreign producers would be in a position to outbid other companies for the rights to import. They would have a great incentive, for only in this way would they be sure of disposing of their production and realizing the resulting high profit. It is quite likely that all of the licenses would go to a handful of the major international companies which are now producing extremely low-cost, Middle East oil.

This would have several distinct disadvantages. In the first place, it would undoubtedly result in lower domestic crude oil prices. Even though they must purchase licenses to import crude oil and products, the major international companies would still have net costs low enough to permit them to undersell their competitors in the United States who are forced to use higher priced domestic crude. The United States market is extremely competitive, and the international companies having lower cost foreign crude would be enabled to increase their market position. This would force product prices down and ultimately result in lower crude prices. Lower crude prices will discourage exploration and production, and defeat the basic purpose of the import control program.

A second result of auctioning import rights is that it would probably close the United States crude oil market to Canadian and Venezuelan oil. The international majors would undoubtedly import the crude which has the biggest profit and is the most likely to be expropriated by foreign governments; namely, Middle East crude. The effect would be detrimental to our foreign diplomatic relations. It would also be contrary to the security of the Nation since it would give preference to those imports which are most vulnerable to attack in time of emergency.

3. Allocation according to interest in foreign production

It is often claimed that United States companies with foreign production have a right to special consideration in the allocation of the United States import quota because of a need to recover their overseas investment. This argument is without foundation for the following reasons: (*a*) Typically, these companies already have earned extremely large returns and have recovered their investments many times over. (*b*) Regardless of who brings the crude or products into the United States, foreign production profits go to the few companies which presently own a large share of the importable production.

It is important to recognize that the method of import allocation will not change the total import quota by even one barrel. Every company with foreign production should have the opportunity to compete on a free-market basis in supplying the United States total import quota. The foreign crude producer has available three alternatives with respect to imports into the United States: (1) He may refine his foreign producion in his own United States facilities, (2) he may compete with other foreign producers in selling his overseas production to United States refiners who have import allocations, or (3) he may acquire import rights from other United States refiners so as to increase utilization of his foreign production at his own United States refineries. Furthermore, the foreign producer has the alternative of marketing his production abroad. The foreign market dwarfs the United States market as an outlet for foreign-produced oil.

Illustration of allocation of United States quota to individual companies based on plan described in foregoing memorandum

[Thousands of barrels per day]

Company	Estimated refinery runs in year ending June 30, 1958	1959 allocation [1]	Company	Estimated refinery runs in year ending June 30, 1958	1959 allocation [1]
Refiners:			Refiners—Con.		
Atlantic	199.5	24.8	Shell	505.0	62.8
Aurora	60.6	7.5	Sinclair	444.6	55.3
Bay Refining	8.9	1.1	Socony	423.7	52.7
Caminol	5.1	.6	Southwestern Oil	42.7	5.3
Cities Service	256.4	31.9	Standard (California)	439.3	54.6
Clark	28.5	3.5	Standard (Indiana)	624.6	77.7
Continental	134.0	16.7	Standard (New Jersey)	839.2	104.4
Crown Central	35.6	4.4	Standard (Ohio)	134.0	16.7
Danahoe	2.7	.3	Sun	242.3	30.1
Delta	10.5	1.3	Sunland	4.2	.5
Douglas	14.9	1.9	Sunray	102.6	12.8
Eastern States	51.6	6.4	Tennessee Gas (Bay Petroleum)	28.3	3.5
Edgington	8.1	1.0	Texas Asphalt	2.2	.3
Fletcher	5.5	.7	Texas City O. & R.	31.6	4.0
General Petroleum	136.0	16.9	Texas Co	579.2	72.0
Great Northern	31.4	3.9	Tidewater	202.7	25.2
Gulf	528.2	65.7	Union	157.2	19.6
Hancock	16.1	2.0	United Refining Co	7.6	.9
Ingram	17.1	2.1	United States Oil and Refining	8.5	1.1
International	11.7	1.5	Wilshire	28.9	3.6
Lake Superior	5.3	.7	All others	756.9	94.1
Macmillan	6.8	.8			
Mohawk	9.4	1.2			
Northwestern	15.0	1.9			
Ohio	39.9	5.0			
Phillips	243.0	30.2			
Pure	140.5	17.5			
Republic	32.3	4.0			
Richfield	110.1	13.7	Total refiners	7,710.4	[2] 958.4

	Estimated sales in year ending June 30, 1958	1959 allocation [1]
Nonrefiner marketers:		
Company A	50.0	7.5
Company B	50.0	7.5
Company C	150.0	22.4
Company D	123.0	18.6
Total nonrefiners	373.0	[2] 56.0
Grand total		[3] 1,022.4

[1] Allocation for each company is proportionate to its share of total refinery runs or sales.

[2] Relationship of quota for refiners and quota for nonrefiner marketers is the same as it was in 1954.

[3] Based on estimated domestic demand for refined products of 9,400,000 barrels per day the United States quota for 1959 would be 1,278,000 barrels per day, or 13.6 percent of estimated demand. This is equal to 1954 ratio of imports to domestic demand. For illustrative purposes, it has been assumed that the Administrator will set aside the maximum hardship adjustment or 20 percent of the total quota for refiners and nonrefiner marketers. This amounts to 255,600 barrels per day, which would be spread among the refiners or nonrefiner marketers at the discretion of the Administrator. In the example above, the hardship volume is unassigned.

STATEMENT OF JULIAN D. CONOVER, EXECUTIVE VICE PRESIDENT, AMERICAN MINING CONGRESS, WASHINGTON, D. C.

The American Mining Congress, representing the various branches of the mining industry throughout the country, appreciates the opportunity to present its views on the pending legislation to extend the Trade Agreements Act.

The mining industry is one of our country's most basic industries. It provides the minerals, metals, and solid fuels which are indispensable to modern industry, transportation and the defense of our Nation. Its importance to our economy and our national security has been emphasized by the Special Cabinet Committees on Minerals Policy and on Energy Supplies and Resources Policy; and a national policy has been enunciated that a strong, vigorous and efficient domestic mining industry is essential to the long-term economic development of the United States and is vital to our national security.

The American mining industry as a whole normally provides direct employment for some 600,000 workers, and many times this number indirectly. The very economic existence of many communities depends entirely upon mining operations. Any sharp curtailments or shutdowns—of which we have recently witnessed far too many examples—mean unemployment and hardship not only for the miners and their families, but also for those engaged in the related service industries, in rail and other forms of transportation, and in the mining areas generally—with sharply reduced tax revenues to local, State, and Federal Governments.

It is therefore imperative that we maintain a sound and healthy mining industry, upon which we can continue to depend for the major part of the basic raw materials essential to our industrial progress and our national defense.

A major problem of certain important branches of the mining industry today is that of excessive imports of metals and minerals produced at low cost in foreign countries. As to many of the nonferrous and strategic metals, coal, and various other minerals, our present tariff duties and controls on competing imports are far from adequate to afford the protection needed if our mines are to continue to operate and maintain a reasonable mobilization base of domestic production. This has resulted in depressed conditions in the mining industry, marked by curtailment of operations, shutdown mines and plants, unemployment, and distress in the mining communities.

The inadequacy of present tariffs on many domestic metals and minerals is due not only to reductions in duties as the result of trade agreements, but also to the fact that most of the tariffs on minerals provided under the 1930 Tariff Act were specific duties, expressed in cents per pound, rather than ad valorem duties. With the decreased value of the dollar today, protection which was equivalent in 1930 to 40 percent or more ad valorem is today in many cases less than 10 percent on an ad valorem basis—far short of what is needed to maintain our mines in operation and enable them to carry on exploration and development of mineral reserves for the future.

The mining industry is accordingly deeply interested in the legislation which you are now considering. Our overall recommendations, as expressed in the declaration of policy adopted by the American Mining Congress convention in Salt Lake City last September, are as follows:

"We recommend that Congress reestablish and exercise its authority over tariffs. We believe that adequate import taxes and tariff protection, properly applied, are necessary to maintain the domestic mining industry. Therefore, we strongly urge prompt enactment of legislation, as follows:

"(1) That as to those metals and minerals in which the United States produces a substantial portion of our domestic requirements, adequate import taxes be established, to be imposed and collected only if and when the average monthly price falls below a reasonable prescribed point legislated for each metal and mineral respectively; thus providing a market free of any duty for foreign imports so long as the average monthly price is at or above the prescribed point.

"(2) That as to those metals and minerals which are produced domestically sufficient only to provide a small percentage of our requirements, special governmental programs in line with the circumstances in each case should be instituted and maintained to encourage continuance of such industries.

"(3) When the enactment or application of adequate import taxes and tariffs is not feasible, or otherwise fails to do what is necessary to protect the domestic mining industry, we recommend that import quotas be provided in cases where such device is practical.

"(4) We urge that Congress amend the Antidumping Act of 1921, to provide adequate provisions for greater certainty, speed, and efficiency in administration and enforcement, particularly as applied to metals and minerals."

This declaration of policy has received widespread support throughout the industry. We are convinced that adoption of these principles is the most workable and effective answer to the critical problems of the mining industry caused by excessive imports—and we urge that substantive legislation be enacted at this time to make these principles effective.

As to item (4) of the above recommendations, this committee has already taken action to strengthen the Antidumping Act and make it more effective. We commend this action and express the hope that the strengthening amendments adopted by the Senate will be accepted by the Congress and the bill made law at an early date.

Now as to our other recommendations as set forth in the above declaration of policy—

Item (1), relating to metals and minerals of which this country produces a substantial portion of our requirements, has to do primarily with such metals as copper, lead, and zinc. As to such metals, the most effective, fairest and most readily administered measure to protect the industry—without imposing a burden on consumers or undue hardship on foreign producers—is the enactment of an adequate import tax, to be imposed whenever the average monthly price falls below a prescribed peril point, and with the tax suspended at times when the market is above such peril point.

This proposal is based on the principle that imports of these materials should supplement but not supplant domestic production. An import tax, applied in the manner outlined, will permit needed imports, in quantities which do not depress the price below the peril point, to enter without restriction. On the other hand, it will provide protection for domestic producers against excessive and unneeded imports. It will afford foreign producers access to our markets at fair prices, but will penalize imports in excess of those needed to supplement domestic production. It will tend to stabilize the price at a level making possible a reasonable base of domestic production, and will assure consumers of dependable supplies at reasonable prices. It operates automatically and is easily administered.

As you will recall, import tax legislation for lead and zinc, based on a recommendation by the Secretary of Interior, was the subject of detailed hearings by your committee last July and was promptly approved and reported to the Senate. The House Ways and Means Committee, however, took the position that administrative remedies should first be invoked, and the lead-zinc industry accordingly submitted an escape-clause petition to the Tariff Commission. Following hearings on that petition last November the Commission unanimously found that the lead and zinc industries were being seriously injured by imports, and recommended tariff relief. The President, however, has deferred action on the Commission's recommendations pending consideration by Congress of the administration's subsidy and stockpiling proposals.

It should be emphasized that the evidence submitted by the lead-zinc industry made it plain that the maximum increases in duty possible under the escape cause would fall far short of what is needed. Further careful studies show that in order to accomplish the objective of a healthy domestic industry, an import tax of 4 cents per pound on lead, to be imposed when the price falls below 17 cents per pound, and an import tax of 4 cents per pound on zinc, to be imposed when the price falls below 14½ cents per pound, are required. Enacted into law, these import taxes would properly take the place of other forms of protection. Thus, foreign ores and metals, instead of paying a flat rate of duty regardless of the metal price, would be enabled to enter without duty or import tax to the extent they do not exceed this country's requirements, and would pay the import tax only when imported in excessive and unneeded amounts which depress the price below the peril point.

Similarly, in the case of copper, studies by the industry show that the minimum protection needed is an import tax of 4 cents per pound, to be imposed when the price falls below a peril point of 30 cents per pound; and your committee has before it a bill to accomplish this result.

We suggest that this same principle—of import taxes applied below specified peril points—may also be applicable in the case of other metals and minerals where unneeded imports are supplanting rather than supplementing domestic production.

Referring to item (2) in our declaration of policy, you will note the recommendation that as to metals and minerals which are produced domestically in amounts meeting only a small percentage of our requirements, special governmental programs in line with the circumstances in each case should be instituted and maintained to encourage continuance of such industries. This situation obtains as to some of the small but important strategic mineral industries. Recommendations as to specific minerals have been made to the Senate Interior and Insular Affairs Committee, which is now considering them.

I should now like to address myself to a critical situation affecting the coal mining industry—to which item (3) of our recommendations is particularly applicable. This was described to you in an able statement by Dr. C. J. Potter, president, Rochester & Pittsburgh Coal Co., and I will confine this discussion to a brief summary.

As pointed out by Dr. Potter, excessive imports of residual fuel oil are displacing substantial tonnages of coal in its natural market along the eastern seaboard. Since residual oil is a waste product, its price is not determined by conditions of supply and demand. At times when there has been a world shortage of oil, the price of residual oil has been raised several dollars a ton above the coal equivalent. On the other hand, the price can be and has been dropped substantially below the coal equivalent when necessary to take the market. This raises havoc with the coal industry, which must either drop its price—frequently below the cost of production—in order to hold the market, or else endeavor to maintain a fair price and let residual oil take whatever volume of business it chooses.

Although residual oil is sold principally on the eastern seaboard, coal producers cannot meet its competition in this area without also reducing their prices to inland customers—thus lowering the price structure for the entire coal industry throughout the United States. Since coal's profit margin rarely exceeds 25 cents per ton, the effect can be disastrous. The displacement of coal tonnage by residual oil runs into many millions of tons each year—with resultant widespread distress and unemployment not only in the coal industry, but also in the railroad industry which depends upon coal for such a large part of its traffic.

The President's Advisory Committee on Energy Supplies and Resources Policy, in its February 26, 1955, report, recommmended that imports of crude and residual oils be held to the proportions that such imports bore to the production of domestic crude oil in 1954. We believe the time has come to make that recommendation effective through legislation.

Thus far we have outlined a number of specific provisions which we believe are needed in our tariff structure, in order to carry out the national policy of maintaining a strong, vigorous, and efficient domestic mining industry.

From a more general standpoint, in line with our recommendation that Congress reestablish and exercise its authority over tariffs, we agree with others who have appeared before your committee that the escape-clause mechanism should provide for a more realistic control by Congress over recommendations of the Tariff Commission.

We believe that the power to reject the Tariff Commission's recommendations for relief, where the Commission has found after full investigation that a given industry has been injured by excessive imports, is too great an authority to be left under the control of the executive branch of the Government. Such authority includes the power of life or death over important segments of American industry. The original intent of the escape clause, which was to prevent serious injury to domestic producers and workers, has in too many cases been nullified through executive disregard of Tariff Commission recommendations. We believe that in issues of such vital importance the recommendations of the Tariff Commission should be submitted direct to the Congress and should not be subject to veto by the executive department.

The extent to which the Executive's veto power has been invoked is evidenced by a study of escape-clause cases since the Commission began handling relief petitions in 1948. Of a total of 87 petitions, the Commission has recommended action in 30 cases. The President has denied relief in 17 of these, has deferred action on 3, and has approved the Commission's recommendations in only 10 cases. The lead-zinc industry affords an outstanding example of failure to act even when a clear and convincing case has been made. On repeated occasions it has unsuccessfully sought escape-clause relief. Its latest attempts were in 1953 and 1957, on both of which occasions the Tariff Commission unanimously found that the industry had been seriously injured by increased imports resulting from tariff concessions—but each time the administration has failed to provide relief.

The bill now before you takes cognizance of this serious defect in the trade agreements program; but the ostensible remedy provided is clearly of no practical value. As passed by the House, H. R. 12591 provides that failure by the President to grant the relief recommended by the Tariff Commission for a distressed industry may be overridden by a two-thirds majority of both Houses of Congress. However—since the problems of a particular domestic industry, even though it may be in the process of liquidation as the result of excessive low-wage low-cost imports, seldom if ever have a direct appeal to the bulk of our population—the possibility of such an overwhelming vote by the Congress is virtually nonexistent. The clear-cut answer to the problem is to refer the recommendations of the Tariff Commission to Congress and, if Congress does not act within a specified time, to allow the recommendations to become effective.

Another ostensible safeguard for American industries, adopted in the 1955 extension of the Trade Agreements Act, was the so-called national security amendment. The history of this amendment clearly shows that it was intended to provide a means of assuring an adequate "mobilization base" of domestic coal and mineral production. In actual operation and administration, however, it has not served to accomplish this end and, as a result, vital branches of the mining industry are today in far more precarious condition than in 1955.

Certain general language was written into the national security amendment in the House, including a statement that the need for mineral-industry exploration, development, and growth should be taken into consideration in determining, in any case, whether action is called for to curtail excessive imports. We believe, however, that this language is inadequate. At the very least, the law should spell out a requirement that the maintenance of a sound mobilization base of domestic mineral production is to be a controlling consideration in the operation of the national security amendment.

We have made clear our view that Congress should reestablish and exercise its authority over tariffs. We do not believe that if H. R. 12591 is not enacted in substantially the form now before you, the foreign trade of our country will "go to pot." The fact is that a failure by Congress to extend the President's authority to enter into trade agreements would in no way affect the trade agreements now in force, nor curtail in any way the opportunities for foreign trade which now exist.

We strongly urge that in any legislation resulting from these hearings, there be incorporated the provisions outlined above, which are needed to preserve and strengthen our domestic mining industry as an essential source of vital raw materials and a major component of our Nation's economy.

STATEMENT OF DAVID G. HILL, PRESIDENT, PITTSBURGH PLATE GLASS CO., PITTSBURGH, PA.

During 1958 the Pittsburgh Plate Glass Co. is celebrating its 75th anniversary. From a single plant employing 200 workmen, the company today operates 39 plants in 18 States, employing more than 35,000 workers receiving wages, salaries, and employee benefits in excess of $200 million per year. The company and its affiliates today produce a wide range of flat-glass products and fiber-glass products, chemicals, paints, plastics, and brushes. In all of these fields, Pittsburgh Plate Glass Co. faces intense domestic competition from manufacturers in the United States operating under the same economic conditions.

In past years and today, the company has enjoyed an export market on some of these products. On other commodities and particularly flat glass, the company has at times experienced drastic competition from imports from low-cost foreign countries. Import competition, particularly on window glass and plate glass, is severe at the present time. Our plants making these products are operating at only 50 percent of capacity. Imports are increasing.

Based upon its overall experience in foreign trade in a number of different lines, the company is opposed to any further extension of the Reciprocal Trade Agreements Act in its present form. If, however, the act is to be extended, then the authority of the President thereunder should be limited and definite. Any extension should not exceed 2 years. The peril points established by the Tariff Commission should be binding, and standards for determination thereof should be spelled out in the law. Most important, escape-clause provisions of the act should be strengthened by making findings of the Tariff Commission final and conclusive.

On the export side, it has been our experience that during operation of the trade agreements program there has been a constant and consistent demand by foreign countries for economic self-sufficiency which has been implemented by imposition of exchange controls, import licensing, embargoes, and raising of tariffs. The result has been to steadily decrease the opportunities for world markets for products of our company.

On the import side, and in our particular flat-glass industry we find that wage rates in competitive countries of Europe are approximately one-fourth of those that we pay in the United States. Wage rates in Japan are such that daily earnings are lower than hourly earnings in the United States. Further, the manufacturing techniques and the machinery used by foreign competitors are equal to the best that can be made or purchased by the United States producer. Under existing tariffs, which are 70 percent lower on plate glass and 50 percent lower on window glass than the rates originally effective in the Tariff Act of 1930, these products can be and are laid down in United States ports at lower prices including transportation and duty than the domestic products.

Currently, foreign window glass is being offered in the markets of the United States at 15 percent below prices of this company and approximately 8 percent below our prices on heavy sheet glass. On the Pacific coast, Japanese window glass is currently quoted at 25 percent under the prices of the Pittsburgh Plate Glass Co. On plate glass, imported glass is usually quoted about 7 to 8 percent below our domestic list. As a direct result, an increasing number of our customers are buying imported glass in place of our American-made product.

Window-glass imports in the calendar year 1956 reached an all-time historic high of over 300 million pounds. In 1957 imports of window glass decreased somewhat, but at the same time there was a sharp decrease in domestic output, and even the somewhat reduced volume of imports in that year represented, on the basis of all available information, not less than 25 percent of the total American production for open market sale.

Currently, imports have resumed a rise toward the all-time record level of 1956. For the months of January and February 1958, imports of window glass totaled 36,440,000 pounds as compared with imports for the same period in 1957 of 26,920,000 pounds, an increase of about 35 percent. During the same 2 months, shipments of this company decreased.

Plate-glass imports for 1956 also attained a new record high of over 38 million square feet. Also, as in the case of window glass, there was some reduction in import volume in 1957. In that year, however, imports nevertheless represented not less than 25 percent of the entire domestic production of plate glass for open market sale.

The large and increasing volume of imports of flat glass, in the face of curtailed demand for the domestic production, must inevitably mean definite and sustained injury with further curtailment of domestic operations, employee lay-offs, and financial loss. The present low tariff duties on flat glass afford no protection against such foreign competition.

The last stage of the latest reduction in tariff duties on flat-glass products went into effect only on June 30, 1958, as a result of negotiations conducted under the 1955 Trade Agreements Extension Act. The threat implicit in the proposal for further across-the-board reductions in duties creates disturbing uncertainties and a definite threat of further injury. The existing law has proved inadequate to extend relief in similar situations. The proposed bill, H. R. 12591, offers no substantial improvement.

In February 1958, the Tariff Commission, which administers the escape-clause provisions of the Trade Agreements Act, reported that up to that time it had carried on 78 investigations under the escape clause. In 30 cases the Commission found injury and recommended an increase in tariff rates or other relief for the affected domestic industry. Eighteen out of 30 recommendations by the Commission were rejected by the President; 2 cases were still pending as of the date of the report; and in only 10 cases did the President accept the recommendations in whole or in part. This disregard of the findings of the specialized agency created by Congress gives small hope to any domestic industry that it can obtain relief from severe and injurious import competition.

The trade-agreements statute, in one form or another, has been in operation for 25 years. In the course of that time it has been frequently extended—never more than for a period of 3 years—and just as frequently amended. As a result, the law now on the books represents a patchwork quilt resulting from efforts to compromise conflicting policies. Notably, the General Agreement on Tariffs and Trade—the so-called GATT—of which the United States became a

provisional member in 1948, has never been passed upon or approved by the Congress. Rather, the Congress, in recent actions taken to extend the basic trade-agreements law, has attached a limiting provision that such extension should not be construed as an approval of the said GATT. The bill, H. R. 12591, contains a similar provision. Yet GATT is claimed to be the cornerstone and foundation of all of our reciprocal-trade agreements and the commitments which have been entered into thereunder have, in most instances, been given force and operation of law, despite the specific reservation of approval thereof by the Congress. There is imperative need for a new tariff policy geared to present day realities. H. R. 12591 does not meet this requirement.

If, pending a final determination of a new, sound, and stable tariff policy, it is deemed necessary to maintain the principle of reciprocal trade in effect, then it is submitted the following requirements should be adopted:

1. The Trade Agreements Act should not be extended for a period of more than 2 years. Study reveals that the 5-year extension proposed by H. R. 12591 may, in fact, be of much longer duration, as the tariff reducing power therein proposed is not limited to the period of extension. In that bill, the tariff reducing power could be applied beginning in 1963 and carried on until 1968. For all practical purposes, therefore, the extension proposed by H. R. 12591 may be considered 1 of 10 years and cover 2 presidential terms of office beyond the present.

The proposed European Common Market is cited by the proponents of H. R. 12591 as a principal reason for a minimum 5-year extension of the present law. The President's message to Congress on the trade-agreement legislation states, concerning the European Common Market (H. Doc. 320, 85th Cong. (1958), p. 3):

"These countries will ultimately have a common tariff applying to imports from the rest of the world. It is anticipated that important steps toward this common tariff will become effective during 1962—up to 4½ years from the renewal date of our trade-agreements legislation."

It is clear, therefore, that the impact of the Common Market will not be fully felt by the United States for at least 4½ years. While there can be no doubt that the proposed Common Market developments will affect the world trade pattern in the future, it is extremely difficult, if not impossible at this time, to predict what the effects will be for specific commodity trade or specific countries. The conclusion must be that further reductions in United States tariffs at this time would amount to giving away in advance a substantial part of any bargaining power we now possess. We have already bargained with all of the members of the proposed Common Market and gave away all of the tariff concessions thus far allowed by Congress. The proposed extension amounts to a suggestion that we begin where we left off, i. e., from the lowest all-time tariff levels of this country, and with the Common Market nations beginning from an unknown, newly established plateau which it is reported will be the highest prevailing tariff of any member nation. Thus, far from establishing the need for a grant of new tariff reduction authority, and more particularly, for a long extension of such authority, the proposed European Common Market seems, without doubt, to justify no extension of new tariff reduction authority, or at most, an extension for a limited period of time.

2. No new tariff reducing power should be delegated to the President. For any period of extension he should be permitted and authorized only to utilize the unused portion of the powers delegated under the 1955 Extension Act. Tariff rates on flat glass products are already too low. Certainly, no further reduction in such rates could possibly be justified.

3. Peril-point determinations by the Tariff Commission should be made final and binding and the existing implied authority of the President to disregard or exceed such determinations should be repealed.

4. Peril-point standards should be inserted in the law along the lines of standards prescribed in escape-clause proceedings to guide and control the Tariff Commission and the President, under the powers thus delegated by Congress.

5. Escape clause provisions should be amended to permit the Tariff Commission, in appropriate instances, to measure the competitive impact of imports against that portion of domestic production of like or similar articles which is offered for sale in the open market. It is a common practice for many American industries, including particularly, flat glass, to produce products for further processing in the same or another plant of the company. The first product produced, as for example, window glass, or plate glass, when thus further processed within the company's operations, is never offered on the open market in

its form as window glass or plate glass. It is only when it has been further fabricated into laminated or toughened glass or into numerous articles of glass, that it comes into direct competition with other domestic products or with imports. Inclusion of products which are made for further preparation unfairly distorts the volume of domestic production for comparison with import volume. In past cases arising under the escape-clause provision the Tariff Commission has followed no uniform policy. The Congress should specifically direct that consideration be given by the Commission to this situation. An amendment to effect this suggestion is attached hereto and marked "Exhibit A."

6. Recommendations of the Tariff Commission to the President should be made binding upon the President unless the Congress, by concurrent resolution, shall approve the President's rejection or modification thereof.

In connection with this last suggestion, it is believed that the provisions of the bill, H. R. 12501, permitting the Congress to override the President is largely illusory, since it is effective only where each House of Congress exercises its power by a two-thirds vote—the same requirements for overriding a presidential veto of legislation passed by the Congress.

No additional further reduction in existing United States tariff duties should be made at this time and no sound basis exists for extension of the present Trade Agreements Act. If that act be not extended, present arrangements will continue in full force and effect including the existing low tariff rates. During maintenance of this status quo a permanent and constructive tariff policy should be developed that will form a realistic approach to the development and prosperity of our foreign trade, both export and import. If, pending the development of such a policy, a brief extension of the existing law is determined to be necessary, then the amendments hereinbefore outlined should be incorporated as the minimum action necessary at this time to avoid further and undue injury or threat of injury to American agriculture, industry, and labor; and ultimately to the American consumer.

EXHIBIT A

"SEC. —. Section 7 (b) of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C., sec. 1364), is amended to read as follows:

"'(b) In arriving at a determination in the foregoing procedure the Tariff Commission, without excluding other factors, shall take into consideration a downward trend of total production or *of production intended for sale on the open market*, employment, prices, profits, or wages in the domestic industry concerned, or a decline in sales *of such products on the open market*, an increase in imports * * *'"

The foregoing text represents existing law with the exception of the italicized clauses. The purpose of the amendment is to provide a more realistic and accurate measure of the effects of import competition upon a domestic industry since domestic production intended for internal use or interplant transfer would be excluded from comparison with imports.

THE STATE OF TEXAS,
EXECUTIVE DEPARTMENT,
Austin, Tex., July 1, 1958.

HON. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR BYRD: Because of a heavy schedule here, it will be impossible for me to appear before your committee to present my statement in behalf of mandatory restrictions on oil imports in line with the 1954 ratio betweeen total petroleum imports and domestic production.

However, I appeared before your committee as a Member of the Senate on March 15, 1955, when our State had been forced to reduce production to 18 days. The problem was so serious then that I advocated mandatory import restrictions. The problem is far worse today. For several months our State has been forced to reduce production to 8 days per month and this has been increased recently to 9 days.

Our domestic economy and the security of the Nation is being endangered and will continue to be threatened unless mandatory restrictions are ordered by the Congress in line with the ratio found to be necessary for the national security by the President's Cabinet Committee on Energy Supplies and Resources Policy in 1955.

I would appreciate it if you would read this letter to the committee and place in the record my statement in support of mandatory oil-import controls.

Kindest personal regards and best wishes to you and the members of the Finance Committee.

Sincerely yours,

PRICE DANIEL,
Governor of Texas.

STATEMENT OF GOV. PRICE DANIEL, OF TEXAS, BEFORE THE SENATE FINANCE COMMITTEE

Mr. Chairman, gentlemen of the committee, it was my privilege to testify before the House Ways and Means Committee on the reciprocal trade extension bill a short time ago. I advocated an amendment for mandatory restrictions on oil imports in line with the 1954 ratio, which was found by the President's Cabinet Committee to be necessary for the national security. I still believe such an amendment is essential.

As Governor of Texas, I appear, of course, in behalf of my State, but I firmly believe that what I advocate is in the best interest of the Nation. Having served as a Member of the Senate, I realize that your primary concern is the effect of this legislation on the welfare and security of all of the people of the United States, and it is with that in mind that I present these remarks.

Total imports of crude oil and products so far this year have averaged some 1,480,000 barrels a day. This amounts to a 23.3 percent ratio to domestic production, as contrasted to the recommended ratio of 16.6 percent which existed in 1954.

United States production is running approximately a million barrels a day less than the same period of 1957. New well completions so far this year are off 13.5 percent as contrasted with the comparable period of 1957. Exploratory drilling has been reduced 25 percent. In Texas, which has borne the major portion of the cutbacks, the drilling is off 39 percent. Most alarming of all, we failed last year to even replace the oil we produced, and, for the first time in 25 years, with the exception of the war year 1943, dipped into our backlog of reserve.

In short, the voluntary program has not worked. It is not working now if measured by a meaningful yardstick. It will not work until and unless Congress provides adequate legislative safeguards.

What changes have been made in the bill as it came to this committee from the House?

The so-called concession most highly publicized is the new standard in the security clause requiring the President to take into account the need for defense-vital domestic industries to grow and to attract enough investments to carry on necessary exploration and development to assure this growth. Unfortunately, this can be rendered meaningless if the administration does not choose to interpret it in the way its House sponsors clearly intend. Indeed, if the administration has in mind to take into account this need for growth, revision in the voluntary program is already overdue. Therefore, this concession is in fact hardly a concession at all, unless it is tied down by additional language in the act to make it truly effective.

A second widely heralded concession is the administration's announcement that it was placing unfinished gasoline and other unfinished oils under the voluntary import program. This statement gave rise to the impression, in some quarters, that all foreign crude products have now been brought under effective control. This is not true. The bulk of oil products, including finished gasoline, are unaffected. At best, it is a long overdue step which, although highly welcomed, merely closes one gap in the voluntary program by which quotas were being evaded.

Administrative actions thus far are wholly inadequate to protect either the domestic economy or the security of the Nation. They are far less than Congress intended when it gave the President the power to limit these imports to the 1954 ratio. Since the administration has failed to comply with the clearly expressed intention of the Congress, the time has come when this intent should be made mandatory.

After careful study of petroleum imports in 1955, the President's Cabinet Committee reported as follows:

"The Committee believes that if the imports of crude and residual oils should exceed significantly the respective proportions that these imports of oil bore

to the production of domestic crude oil in 1954, the domestic fuels situation could be so impaired as to endanger the orderly industrial growth which assures the military and civilian supplies and reserves that are necessary to the national defense. There would be an inadequate incentive for exploration and discovery of new sources to supply.

"In view of the foregoing, the Committee concludes that in the interest of national defense imports should be kept in the balance recommended above. * * *

"The Committee recommends, however, that if in the future the imports of crude oil and residual fuel oils exceed significantly the respective proportions that such imported oils bore to domestic productions of crude oil in 1954, appropriate action should be taken."

Soon after the time this report was published, foreign oil imports were substantially exceeding the 1954 ratio. This, in spite of repeated requests from the administration that importing companies practice industrial statesmanship and voluntarily reduce their imports in the interest of the national welfare. For more than a year, I had been one of those who hoped that oil imports would be reduced by the importers themselves, all of whom are American concerns, without the necessity of governmental intervention. Some of the companies made efforts in this direction, but the majority did not. Many of us who had patiently waited in vain for "industrial statesmanship" to solve this problem finally faced the fact that it could not or would not be done.

As a Member of the Senate, I joined Senator Matthew Neely and 14 other Senators in a proposed mandatory restriction as an amendment to the Reciprocal Trade Agreements Act and testified before your committee in its behalf. Our amendment would have limited foreign oil imports to 10 percent of the total domestic demand.

Your committee reported a substitute for the Neely amendment, applicable to all products essential to the national security. It was adopted in the Senate and approved by the House. This was only after administration leaders gave assurance that this amendment could and would be used to limit oil imports to the 1954 ratio as recommended by the Cabinet Committee. The amendment, known as the national defense amendment and now a part of the Reciprocal Trade Agreements Act, provided:

"* * * 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 the existence of such facts, 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."

With a finding already made that petroleum imports above the 1954 ratio would impair the national security, we had every reason to believe that they would be limited under this authority. The debates in the Senate and the subsequent action of the House clearly show that this was the intention of the Congress. On the Senate floor this intention was expressed by members of the Finance Committee without dissent. Senator Carlson said:

"* * * The Senate Finance Committee, in approving H. R. 1, specifically recognized the problem and inserted in its report a portion of the report of the President's Advisory Committee on Energy Supplies and Resources which had been submitted by the White House. * * *

"* * * I supported the proposal adopted by the committee because I was assured by those in the administration responsible for the administration of the trade-agreements program that if such amendment were adopted by the committee and by Congress, action would immediately follow, and that imports of petroleum and its products would be definitely restricted.

"I was further assured that such restriction would be based upon the study previously made, to which reference was made by the committee; that the basis of the limitation would be in accordance with the recommendation of that study. This study indicated the necessity of limiting imports of petroleum and its products to an amount and in the relative position of the imports of petroleum in 1954 as related to domestic production of crude oil in 1954 * * *

"Since the report of the Finance Committee, I have further explored this situation with administrative agencies charged with the responsibility for the application of this program, and I can say to the Senate that again I have complete assurance of compliance of these agencies with the direction set forth in that amendment * * *

"* * * There can be no doubt in my mind as to the intent of the committee, nor, do I believe, as to the intent of the Senate in regard to limiting the oil imports to the average daily imports of the year 1954, based on the report of the President's Commission on Energy Supplies and Resources Policy.

"I can assure the Senate that I would not have agreed to the amendment in H. R. 1, dealing with imports of commodities which are of national defense interest, had I not been assured that it would be the policy of those who administer the act to follow the intent of those who participated in preparing the report of the Advisory Committee." (Congressional Record 84th Cong., 1st sess., p. 5389.)

The following colloquy occurred between Senator Carlson and the junior Senator from Texas, who now appears before you as Governor of Texas:

"Mr. DANIEL. In addition to what the President's Advisory Committee on Energy Supplies and Resources Policy reported, I ask the Senator if there was other evidence before the committee which indicated the injury that would be suffered by our Nation and its national defense and security if oil imports exceeded the 1954 ratio between imports and market demand?

"Mr. CARLSON. Yes. There was much testimony both from witnesses who favored importation of oil—importation in large quantities—and from those who were opposed to all imports of oil. There is no question that excess importation will affect not only our national defense, but our economy, and it is important that we have an economy that is thriving and growing.

"Mr. DANIEL. Based on that evidence, is it the Senator's understanding that if oil imports should exceed the 1954 ratio there would be injury to our national security?

"Mr. CARLSON. There can be no question about that.

"Mr. DANIEL. Was there any reason why the committee included the amendment at all, if the committee did not feel that the national security would suffer if oil imports were in excess of the 1954 ratio?

"Mr. CARLSON. As I said earlier in my remarks, the Finance Committee spent much time on this amendment and on other amendments dealing with quota imports and their effect on the national defense. We were seriously concerned about the matter. For that reason, we have assurances that those administering the act will act in accordance with the proposals submitted by the President's Advisory Committee on Energy Supplies and Resources Policy and the evidence submitted to our committee. I have no doubt of it.

"Mr. DANIEL. As a member of the committee, is it the opinion of the Senator from Kansas that a majority of the committee, which supported the amendment, intended that the necessary action be taken to keep imports from exceeding the 1954 ratio, which has been interpreted by the President's Advisory Committee as the ratio beyond which injury would be done to the national security?

"Mr. CARLSON. One reason why I say that is very definitely the opinion of the committee, or at least the intent of the committee, is the fact that the chairman of the Finance Committee included in the report of the committee a part of the Advisory Committee's report, which, after all, in my opinion, gives the intent of the Finance Committee." (Congressional Record, 84th Cong., 1st sess., p. 5390.)

Senator Millikin expressed similar views in the following colloquy:

"Mr. DANIEL. Mr. President, on Monday of this week, the distinguished senior Senator from Colorado (Mr. Millikin) was kind enough to answer several questions put to him by me. I appreciate his courtesy. However, I noticed that the Record, as printed, shows an answer to my last question which I did not understand to have been given, and which I do not believe the senior Senator from Colorado intended.

"I should like to repeat the question, noting that the Senator from Colorado is on the floor.

"The question is set forth on page 5299 of the Congressional Record of May 2, 1955; and I ask the Senator from Colorado to comment on it, after I repeat it. The question is this—and I now address it again to the senior Senator from Colorado.

"'At least it is the intention of the Committee on Finance that this amendment—'

"We were talking about section 7 (b)—

"'Shall be used to protect us in the matter of oil imports and the importation of other commodities which are necessary to our national defense.'

"Mr. MILLIKIN. Mr. President, I am very sorry if my answer was not as clear and specific as it should have been, when we had our exchange the other day.

"I wish to say that was the intention of the Senate Finance Committee. That was the purpose of writing the amendment and of adopting it in the committee.

"Mr. DANIEL. I thank the Senator from Colorado.

"Did the committee hear evidence to the effect that an increase of oil imports above the 1954 ratio between imports and domestic production would endanger the national security?

"Mr. MILLIKEN. The committee heard such evidence.

"Mr. DANIEL. Does the Senator from Colorado remember any evidence to the contrary?

"Mr. MILLIKIN. I do not." (Congressional Record, 84th Cong., 1st sess., p. 5565.)

In spite of the many assurances given, the administration took no official action under section 7 (b) of the law until July 29, 1957. In the meantime, petroleum imports were increasing from 1,052,000 barrels daily in 1954 to 1,248,800 in 1955, to 1,436,000 barrels daily in 1956, to 1,526,000 barrels daily in 1957. This year, oil imports are averaging about 435,000 barrels daily in excess of the 1954 ratio.

In 1955, imports were 43,149,000 barrels in excess of the 1954 ratio; in 1956, they were 87,570,000 barrels in excess; and in 1957, they were 122,491,000 barrels in excess.

At a price of $3 per barrel, the United States economy lost $120,447,000 in oil sales in 1955; $262,710,000 in 1956; and $367,473,000 in 1957. The total loss in sales in the period was about $759,630,000.

Percentagewise, under the 1954 ratio recommended by the Cabinet Committee, petroleum imports reached a volume equivalent to 16.6 percent of domestic oil production. Imports rose to 19.6 percent of domestic production in 1955, 21.1 percent in 1956, and 21.4 in 1957.

In spite of this terrific economic hardship in all the oil-producing States and the continued threat to our national security, nothing had been done except issue more appeals for "industrial statesmanship" during the 2 years which elapsed between adoption of the 1955 national defense amendment and the annual governors' conference in June of 1957. At this conference on June 24, 32 Governors joined in the following telegram to President Eisenhower, urging immediate action. This telegram stated:

"Because foreign oil imports are far in excess of the 1954 ratio above which your Cabinet Committee on Fuels Policy found that the security of the Nation would be endangered and because these excessive imports are seriously damaging the conservation and taxation programs of many of our States and causing curtailment in exploration and development of new domestic reserves essential to the economy and security of the Nation, we the undersigned governors urge your prompt action under the Reciprocal Trade Act to limit oil imports to the 1954 ratio."

It was signed by: Raymond Gary, Oklahoma; Price Daniel, Texas; George Docking, Kansas; Charles H. Russell, Nevada; Ernest W. McFarland, Arizona; Mike Stepovich, Alaska; John E. Davis, North Dakota; Orval E. Faubus, Arkansas; James E. Folsom, Alabama; J. P. Coleman, Mississippi; Milward L. Simpson, Wyoming; Alber D. Rossellini, Washington; Steve McNichols, Colorado; George D. Clyde, Utah; Robert D. Holmes, Oregon; George Bell Timmerman, Jr., South Carolina; Marvin Griffin, Georgia; Joe Foss, South Dakota; Albert B. Chandler, Kentucky; J. Hugo Aronson, Montana; Earl Long, Louisiana; William G. Stratton, Illinois; Herschel C. Loveless, Iowa; Robert Smylie, Idaho; Frank Clement, Tennessee; Victor Anderson, Nebraska; Luther Hodges, North Carolina; J. T. Blair, Missouri; Joseph Johnson, Vermont; G. Mennen Williams, Michigan; C. H. Underwood, West Virginia; H. W. Handley, Indiana.

On June 26, the President established a special committee to investigate, and it found that the national security was being threatened and recommended a voluntary program of restriction. It went into effect on July 29, 1957. It has been the charge of a very able and capable administrator, Capt. Matthew V.

Carson, Jr., who has done the best that anyone could do with an unenforcible voluntary program.

The magnitude of the problem and the strength of economic forces with which he must deal require a stronger instrument of authority than the slender wand which was placed in his hands. In spite of his efforts, the program has failed to carry out the mandate of the Congress. It has failed to limit petroleum imports to the 1954 ratio.

Instead of decreasing, imports of foreign crude and petroleum products under the voluntary program have increased. Instead of the recommended national security ratio of 16.6 percent, we now have a ratio of nearly 24 percent. Domestic production has been reduced until it is a million barrels per day less than a year ago.

We have tried the voluntary plan and found it wanting. There must be statutory authority to make specific rules and regulations with enforcement powers to compel their observance. A voluntary program works only when the administration wants it to work and then only so long as the last recalcitrant conformee cooperates. The failure of only a few to do so gives all the rest the right to violate the program. The future of our oil industry and the security of our Nation depend upon the inclusion of mandatory provisions in the renewal of the Reciprocal Trade Act so as to insure enough market for domestic production to cause search for and development of new reserves which may be necessary at any day for defense purposes. We cannot depend on foreign oil to supply us in time of war.

Each time I refer in these remarks to oil imports, I mean and include crude oil and crude products, because they must be dealt with together in any successful restriction of imports.

Continually increasing foreign oil imports throughout the last 5 years has contributed toward unemployment, decreased buying power, loss of tax resources, and general decline of business more than any other factor in the oil-producing States.

Under normal conditions, over 132,000 people are directly employed in the production of oil in this country and many thousands more are employed in related businesses. Domestic oil refineries, which normally employ more than 132,700 are now cutting back their output and laying off thousands of their employees.

We have been forced to cut oil production in Texas to 8 days per month while foreign oil continues to take our markets. The producers of no commodity can live long on the current 8 days per month. Over a million and a half dollars is being lost to the Texas economy every day due to production cutbacks forced by foreign oil imports.

This matter became so serious in Texas that I appointed a commission to conduct hearings on the effect of excessive oil imports on the economy of the State. Hearings were held through the State, and I have filed with your committee a preliminary report and a transcript of the hearings conducted by this commission.

The economy of the oil-producing States is a vital part of the economy of the Nation, and I think it is high time that our country think as much about its own domestic economy as it does about the economy of the Mideastern countries which are flooding us with oil produced with cheap labor and without restrictions geared to market demands.

Either the wages and living standards of our own people will be lowered to that of foreign lands or we must give adequate protection to the production of our own commodities. The economic strength of our Nation is just as important as our military strength. Both are endangered by excessive oil imports.

The Suez conflict demonstrated how quickly we can be cut off from foreign oil in time of war. One of the worst fates that could befall the United States defensively would be to become dependent on foreign oil for future emergencies. Yet that is what is sure to happen if the incentive to find new reserves in this country is destroyed by lack of markets in time of peace.

Who wants to take the risk of finding a well which can be produced only 8 or 9 days a month? No one can afford to risk a million dollars "wildcatting" for new oil fields if he cannot expect to produce at a rate necessary to return the amount of his investment. Most wildcatters actually operate on borrowed capital, and they cannot secure loans on today's markets, because present production schedules will not provide revenue necessary for the servicing of the loan, let alone a reasonable return on the investment. Four thousand fewer

wells were drilled in 1957 than in 1956 and testimony developed in our Texas commission hearings indicate that this figure will materially increase in 1958, probably to 9,000 fewer wells drilled.

The amount of petroleum reserves in the United States has increased through the years as a result of wildcatting accomplished mostly by the independent oilmen. In 1957, wildcat drilling was 9.8 percent below that which took place in 1956. It was reported recently in the Wall Street Journal that drilling is lower today than at any time during the last 8 years.

Some have argued that we should use the foreign oil now and save our own for the future. That might work if we know where all the oil in this country is located and if our domestic industry and its thousands of employees could go without their livelihood for several years on end. Neither of these conditions is possible. All of the oil in this country has not been discovered. The search for new reserves must continue, and it can and will continue only if there is a healthy and profitable industry.

Excessive imports are having their most disastrous effect on small independents whose production has reached the stripper stage. Here the application of secondary recovery methods is the only way in which production can be maintained, and then only at great cost. Three-fourths of the Nation's producing oil wells, over 358,000, are in this category. Each produces five or less barrels per day, but in the aggregate they account for one-fourth of the Nation's total production and about one-fourth of the known reserves in this country. These wells and these reserves had just as well be marked off as total losses if they have to compete without protection from excessive foreign imports.

Secondary recovery practices presently in use can bring to the surface approximately 80 percent of the oil remaining in old fields, none of which could be recovered under the methods used when these fields were first discovered. The tremendous cost of this secondary recovery of oil, which would otherwise never be brought to the surface, makes it especially vulnerable to low-cost foreign import production. The incentives which must be available for the continuation of these secondary recovery practices are lost when that oil is placed in competition with uncontrolled foreign importation.

In addition, many of the methods used to carry on secondary recovery operations are of such a nature that they must be continued to maintain engineering practices necessary to bring the oil to the surface.

Engineers have pointed out that if this oil cannot be sold and if the operation must be discontinued, it will be impossible ever to produce this oil, or the cost to begin again the secondary recovery operation will be prohibitive.

In Texas, our conservation statutes require a restriction of domestic production in line with market demand to prevent waste from excessive above-ground storage. It was in carrying out the provisions of our statutes that the Texas Railroad Commission found it necessary to reduce our production to 8 days per month.

This is a very peculiar situation. Texas and the other oil-producing States, in order to prevent the waste of one of this Nation's greatest natural resources, are continually cutting back production in order to reduce excessive above-ground stocks. At the same time, the importers of foreign oil are continually increasing their importations and thereby increasing the stocks which we are trying to reduce. Obviously, this in time would destroy conservation practices and conservation powers which have been so successfully administered by the State in the past.

In the past 5 years, oil production in the United States has increased only 5.6 percent. Production in Texas has actually decreased by 2.5 percent—further evidence that our State is bearing the brunt of the domestic production cutbacks.

Compared with our Nation's increase of 5.6 percent, production in Canada has increased 92.8 percent, production in Venezuela has increased 46.8 percent, and production in the Middle East has increased 52.4 percent.

The conservation program of the States must be continued if our domestic production is to be strong enough to meet the demands of national defense as it did in two World Wars. Today its effectiveness is being destroyed by excessive imports. It is not fair to expect States to bear the load of cutting production without placing a similar burden upon the importers of foreign oil. If this is not done in the same mandatory and enforceable way that the States restrict domestic production, the entire oil-conservation program of this country will be destroyed.

There is no legal restriction on most of the foreign oil production and none whatever on foreign oil imports. Wells in the Middle East run as high as 6,000 barrels of oil daily, while the average well production in Texas is only 19 bar-

rels. Foreign wells, owned mostly by a few major American companies, produce oil every day, while in Texas, the largest producing State in our own country, production has been shut down to 8 days per month and was raised to 9 only this month.

Is it fair to the conservation program of the States to have it dominated and ruined by foreign imports? Shouldn't there be some legal means of keeping imports in balance with domestic production and domestic market demand? When domestic producers are restricted as to the amount of oil they can place on the American market and are convicted of State and Federal offenses for exceeding that limit, should there not be some type of restriction of foreign importers? Or, should they be allowed to flood the market and cause even further restriction of domestic producers?

Today, foreign imports are determining the amount of production to be permitted from domestic wells, and 5 large American-owned companies and 1 foreign firm control over 90 percent of the oil imported into this country. They and their desired for big profits should not be permitted to destroy the conservation, economy, and security of our Nation.

In 1958, the Congress expressed its intention that the President should use the national defense amendment to limit petroleum imports to the 1954 ratio as recommended by his own Cabinet Committee. This mandate has not been carried out. According to the findings of his own Cabinet Committee and his special committee to investigate oil imports, the national security is being threatened. Therefore, I strongly urge that this committee approve an amendment imposing mandatory limitations on petroleum imports in accordance with the 1954 ratio between petroleum imports and domestic oil production.

Testimony before this commission in Austin, Abilene, and Corpus Christi has been received from the administrator of the Federal Government's voluntary imports control program, Texas State officials, local governmental officials, independent producers, officials of regional and local chambers of commerce, bank officers and technical consultants. Purpose of these hearings has been to establish accurate information concerning the effect of the importation of foreign crude oil and petroleum products on the domestic petroleum industry, the operating revenues of all levels of government in Texas, and, most important, the general economy of the State.

Based on the evidence thus far introduced, the commission has reported to the Governor the following preliminary conclusions:

1. *Cheap foreign oil does not result in cheaper gasoline and heating oils for the consumer.*—All evidence established that consumer prices have remained steady or increased slightly in the face of a pyramiding flood of foreign oil into this country. The importing companies have absorbed the economic advantage in the form of increased profits, rather than passing on any savings to the consumer. In addition, the commission finds that in those countries which must rely heavily on imported oil, the pump prices of gasoline are as follows: France, 90.7 cents per gallon; Italy 92.1 cents; United Kingdom, 62 cents.

2. *The present level of imports of both crude oil and products is excessive.*—It was the intent of the Congress in enacting the security amendment to the Reciprocal Trade Act to limit imports of crude oil and petroleum products to their 1954 relationship with domestic production. In the case of crude oil, a subsequent Cabinet Committee has established voluntary limitations on crude oil at a level higher than in 1954. No limitation on petroleum products has been imposed by this committee despite the fact that such product imports have exceeded the 1954 ratio by a constantly increasing amount. The excesses of imports are reflected by the following statistics:

(*a*) Total imports:

Year	Barrels in excess of 1954 relationship	Loss to national economy (computed at $3 per barrel)
1955	43,149,000	$129,447,000
1956	87,570,000	262,710,000
1957	122,491,000	367,473,000
Total loss to national economy		759,630,000

(b) In 1954 imports of petroleum products were 6.2 percent of domestic production. In 1958 imports of petroleum products have averaged 601,000 barrels per day. Figured on the 1954 relationship, imports of products should have averaged 411,928 barrels per day. Thus, imports have exceeded this relationship by 189,805 barrels per day, or almost 50 percent above the level approved by the Congress.

3. *The announced objective of the Congress and the two Cabinet committees to protect the national security by maintaining a healthy domestic oil industry has not been achieved under the voluntary program.*—This fact is demonstrated conclusively by the reduced drilling of both wildcat and development wells with consequent loss of tremendous reserves. Judge Olin Culberson, chairman of the Texas Railroad Commission, testified that drilling of wildcat wells in 1957 was down 9.8 percent from 1956. Further substantial reductions in wildcat drilling rate are expected in 1958. Judge Culberson testified that all drilling in 1957 was down 8.7 percent, with further reductions anticipated. A study by the West Texas Chamber of Commerce shows that drilling in some of the most promising regions is down 34 percent. As a direct result of reduced drilling, resulting in turn from excessive imports, the Nation's proven reserves showed a net decline in 1957 for the first time since 1943.

4. *Excessive imports have necessitated continued sharp cuts in Texas production, with a devastating effect on the general economy of the State.*—In February of 1957, Texas was on a 15-day producing pattern averaging 3,543,000 barrels per calendar day. In February of 1958 the State was down to an 11-day pattern averaging 3,057,000 barrels per calendar day, a reduction of one-half million barrels per day. In March of this year production has been cut to 9 days, a further reduction of over one-half million barrels. Thus in 13 months Texas alone has been compelled to reduce its allowable production over 1 million barrels per day. This means that the loss of the domestic market for this oil, at $3 per barrel, is now $3 million per day. Testimony strongly indicates that this loss of market has contributed to and aggravated the current national recession rather than being a result of the general downward trend in business activity. Reduced drilling, production, transportation, and refining of crude oil in Texas has shown marked effect on employment. In some sections of Texas where oil constitutes a primary source of employment, unemployment has risen 17 percent. The Texas Employment Commission states that there is a marked increase of oilfield workers filing claims for unemployment insurance. Proportionate unemployment is evidenced in the refining segment of the industry. As a direct result of reduced drilling activity, unemployment has risen in allied industries such as steel tubular goods manufacturing.

5. *Lower allowable production, resulting largely from excessive imports, has led to sharply curtailed revenues to both State and local governments, thereby jeopardizing the continuation of vital services to the people.*—State Comptroller Robert S. Calvert estimates this loss in State revenue will total at least $20 million during the coming 18 months. Similar reductions are being experienced in revenues of cities, counties, and school districts whose tax structures are based largely on oil properties. Oil pays 46 percent of the school cost in Texas.

6. *Excessive oil imports are undermining sound State conservation practices.*—These conservation procedures, proven by decades of success, guarantee fair and equitable opportunity to every independent producer to market his oil. More important, they insure production from marginal wells, which comprise three-fourths of the total wells in Texas. Unless these wells are consistently produced, their enormous reserves may be forever lost. Moreover, continued curtailment of domestic production in favor of imports will prevent important secondary recovery projects. If these projects are not instituted in increasing numbers, a huge portion of this Nation's reserve capacity will never be developed.

APPENDIX

United States oil-well completions

1956	30,730
1957	27,476
Total (—10.6 percent)	—3,254

Footage drilled

	Feet
1956	233,902,000
1957	221,901,000
Total (—5.1 percent)	—12,001,000

Wildcat completions

1956	12,624
1957	11,383
Total (—9.8 percent)	—1,241

Proven reserves

	Barrels
1956	30,434,000,000
1957	30,300,000,000
Total	—184,000,000

JULY 3, 1958.

To: The Senate Committee on Finance.
Attention: Statisticians.
Reference: H. R. 12591.
Subject: Currency valuations of imports.

GENTLEMEN: Most (89 of 104) countries tabulate imports c. i. f.

Were the United States of America to tabulate imports c. i. f., the 1957 imports, $12,500 million, would be 20 percent to 30 percent more.

This unmentioned increment is a large amount. It alters de facto balance-of-payments. It alters calculations about United States jobs.

In all countries, the debit and the credit impacts of imports on industries and on jobs can be gaged only by using c. i. f. values of those imports. Any other figures compound errors in all directions.

If the above statements are checked, it is important to check them with many authorities outside the United States of America as well as with a few inside the United States of America. I have found non-United States authorities better informed on currencies in international trade than United States authorities.

Respectfully,

C. A. CASTLE,
Washington, D. C., U. S. of A.

(Whereupon, at 12:45 p. m., the committee adjourned to reconvene in executive session on Tuesday, July 8, 1958.)

(It was necessary for Senator Albert Gore to be in Tennessee on business during the time of the above hearings. When he returned to Washington to attend the executive sessions on the bill he received permission of the chairman to have the following statement incorporated in the record:)

Mr. Chairman, in my opinion, the bill before the committee to extend the life of the Cordell Hull two-way trade program is among the most important to be considered by the 85th Congress.

Unless this program is continued, we will inevitably face a decline in international trade which has proved so beneficial to the people of the United States. We should continue this program to keep our foreign markets; first, because this means jobs and profits for our farmers, workers, and businessmen at home and, second, because it promotes friendship and strength for the United States and her friends at a crucial time in the cold war waged against us by Russia. Moreover, we should continue this vital program to gain more trade, more prosperity, and friends. More trade means more jobs and better prices for our farm produce, and friendship tends to follow the trade routes.

Trade is important to my own State of Tennessee. Tennessee's proportionate share of exports for those industrial and agricultural products for which statistics have been tabulated totals more than $230 million per year. Our chemical industry and our textile and apparel industry each has a substantial volume of export trade. The two largest cash crops of Tennessee farmers are cotton and tobacco. Both move heavily into foreign markets. Without our foreign

markets, Tennessee farmers would be compelled to sell at disastrous prices or severely reduce acreage.

All of the States of the South have a net stake in foreign trade. It has always been so and it remains so. Our developing industry needs new markets. Certainly we can ill afford to lose any we now have. Every Southern State has the same interest in cotton exports as Tennessee.

On a national basis, more than 4½ million people owe their jobs directly to international trade. We must not jeopardize these jobs by reverting to economic isolationism. Surely we could profit by the mistakes of the past. The high-tariff walls of the Smoot-Hawley era helped to propel us into a great depression. The recession which we are now experiencing can only be tragically worsened if we again follow the mistaken path which was followed in the 1920's.

I strongly support a program to continue, and if advantageously possible, to expand our international trade, Mr. Chairman, and I support this bill which will help us hold our foreign markets and help us gain more. This bill is in the interest of my State, of the region of which my State is a part, of the United States, and of the entire free world.

There can be no question but that we face a serious economic challenge from Soviet Russia and her satellites. Mr. Khrushchev issued this challenge publicly last fall when he said: "We declare war upon you * * * in the peaceful field of trade." Not only did Mr. Khrushchev declare economic war upon us, he openly boasted that Soviet Russia would win.

Just as we strengthen our own economy by international trade, so do we strengthen the economy of our friends with whom we trade. International trade is the cornerstone upon which we must build the economic strength of the free world. Unless we continue our trade, we invite defeat in the economic cold war, and insure depression conditions at home.

The program with which H. R. 12591 is concerned was originated by my fellow townsman and Tennessee's greatest statesman, since Andrew Jackson, Cordell Hull. In 1934, he obtained passage of legislation which authorized the President of the United States to negotiate mutually beneficial trade programs between the United States and other countries. When the law was first enacted, this authority was granted to the President for a period of 3 years. At the end of 3 years, the authority was again renewed for a specified period, and it has been successively renewed 9 times under both Democratic and Republican administrations. Each time the expiration of this program has approached, the Congress has reviewed it and found it good for the United States. The House of Representatives has, as you know, already passed a bill to extend it again by an overwhelming majority.

I wish to emphasize, Mr. Chairman, that the program which would be extended by the pending bill is the same program as that conceived by Cordell Hull. There are some who profess to believe in the Cordell Hull program, and yet oppose the pending bill on the grounds that it is something entirely different. It has even been referred to as a "give-away."

On the contrary, the bill would authorize the President of the United States to negotiate two-way trade agreements with other countries. The purpose is to make it easier for us to sell to them and in return buy from them the things we need and can use.

Now, the law has been modified in some respects by the Congress on the various occasions upon which it has been renewed. It has been modified by writing into it certain safeguards for American industry and business. We now have written into the law the "peril point" and "escape clause" provisions which are designed to prevent undue injury to American industry arising from imports, and to provide for a method for affording relief to American industry when it is unduly injured by excessive imports. I have supported these safeguards and am willing to consider any others that may appear necessary. Indeed, the pending bill would write into the law still further safeguards for American industry.

I fail to see in what way these safeguards for American industry could be described as subverting the Cordell Hull trade program or how they could justify the characterization of the program as a "give-away."

Some of those who oppose this program would have the American people believe that in some way we can continue to export our products in large volume without buying anything. They would have us build a wall around the United States. This would have disastrous effects. It would bring retaliation by other nations such as we suffered before the great depression in 1932.

I urge the committee to approve the pending bill without crippling amendments.